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NEWS SUMMARY

GENERAL

Hostages reunited with families

The 52 U.S. hostages arrived home to a hero's welcome yesterday as the Carter administration defended its agreement with Iran.

The diplomats flew into Stewart airport near Highland Falls, New York, for a private reunion with their families in a hotel inside the West Point military academy.

Two of Mr. Carter's top officials said yesterday the U.S. must honour the agreement or it would lose international credibility. Back Page

Atkins snubbed

Ulster Secretary Humphrey Atkins stayed away from the funeral of murdered politician Sir Norman Stronge after being told by Loyalists he would not be welcome.

Cardiff clash

Several arrests were made in Cardiff after Anti Nazi League supporters clashed with National Front marchers protesting at a Provisional Sinn Fein rally.

Islam boycott bid

A plan for a world Moslem embargo against Israel is expected to be approved by the Islamic summit which opened in Taif, Saudi Arabia. Back Page

Seamen to strike

The Seamen's union has called a 24-hour strike today on Britaish Rail's Harwich-Holland container service as part of its pay campaign. Page 4

West Bank plan

The Israeli Government plans to nearly double the Jewish population of the occupied West Bank before the general election in five months. Page 2

Race Bill rapped

Cardinal Hume and four Roman Catholic bishops said the Government's nationality Bill was "misconceived" and would increase the "insecurity" of ethnic groups.

Rise in food tax

The EEC tax on Britain's food imports, which has kept prices 4 per cent higher than they might otherwise be, rises today to a record 15.1 per cent.

Locked out

West German fishermen, protesting against the delay in implementing the EEC's fisheries policy, occupied locks giving access to the Elbe estuary.

Poles stay away

About 40 per cent of the Polish workforce stayed at home on Saturday in support of the free trade union Solidarity's campaign for a five-day working week. Page 2

Socialist choice

Francois Mitterrand was overwhelmingly nominated as the French Socialist candidate for the presidential election, due at the end of April. Page 2

Wolf escapes

A wolf escaped from John Aspinall's zoo in Kent, where two keepers were killed by tigers last year, but was later shot dead

Arson probe

Police believe the south-east London house fire which killed 10 people may have been started by paint thinners sprinkled on a carpet and not a fire bomb.

Briefly . . .

Almost 300 people have died from exposure in a cold spell in northern India.

Roman Rudenko, chief Soviet prosecutor at the Nuremberg war crimes trials died aged 73.

BUSINESS

Jobless total may approach 2.5m

● UNEMPLOYMENT figures, to be confirmed by official statistics tomorrow, may approach 2.5m, including school-leavers. A CBI survey to be published on Wednesday will indicate a continuing poor outlook for jobs. Back Page

● FEDERAL Reserve Board, the U.S. central bank, has been the chief cause of U.S. inflation since the 1960s because of its failure to control the money supply, a Congressional study claimed.

● BRITAIN will receive a £262m refund as the second stage in reducing its EEC budget payments.

● A BILL to improve self-regulation in Lloyd's of London has its first reading in the House of Commons tomorrow.

● ENGINEERING institutions found "unacceptable" the draft charter for the Government's proposed new body for professional engineers. Back Page

● WEST GERMAN inflation increased this month, and may have touched an annual rate of 6 per cent for the first time since last June. Page 2

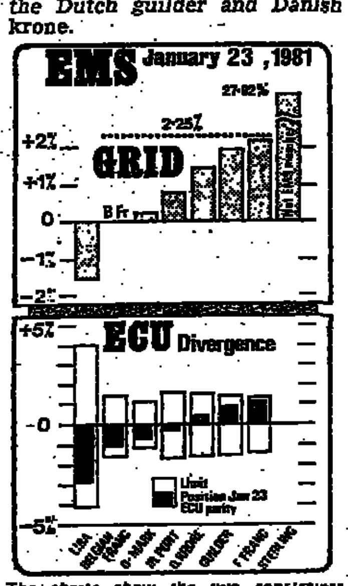
● BREWERY policy of offering cheap loans to independent establishments selling their beer is being investigated by the Office of Fair Trading. Page 3

● STEEL stockholders fear BSC's aggressive sales drive may force them to buy more steel abroad. Page 4

● AUDITORS unexpectedly attacked plans to introduce a special accounting system for property companies. Page 3

● COWIE GROUP wrote off £1m from reserves because of heavy losses at Eastern Tractors, the company acquired by George Ewer before Cowie took Ewer over. Page 14

● ITALIAN lira remained depressed at the bottom of the European Monetary System, while the D-mark was also weak after moves by the Bundesbank to increase domestic liquidity brought fears of lower German interest rates. Outside the EMS, Japan's growing economic strength pushed the yen to its highest level against the dollar for almost two years on Wednesday, and Italy's economic problems, coupled with firmer U.S. interest rates, left the lira at a record low against the dollar on Friday. The Italian currency also touched a record low against sterling, and the pound was generally at its highest level for over seven years. The French franc was again the strongest member of the EMS last week, followed by *the Dutch guilder and Danish krone.*



The charts show the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

Jenkins and Gang of Three plan new party by summer

BY RICHARD EVANS, LOBBY EDITOR

A BREAKAWAY from the Labour Party, possibly leading to a major realignment in British politics, is now considered a certainty following a declaration of intent yesterday by *Mr. Roy Jenkins and the* party's Gang of Three—Mrs. Shirley Williams, Dr. David Owen and Mr. William Rodgers.

They are to set up immediately a Council for Social Democracy which will be the embryo of a political party to be launched in the spring or summer.

The precise timing remains obscure—May is the most favoured month provided that fast-escalating events do not bring it into existence before then. An earlier date would make fighting the local government elections in May a major difficulty for potential Labour dissidents.

So after years of reverses inflicted on the Right over policy and the party constitution, the long-heralded split in Labour's ranks seems about to occur—triggered by the devastating Left-wing triumph at Saturday's special conference called to find a new method of electing a leader.

This rejected overwhelmingly the Right's proposal of a secret ballot of all party members, and went on to choose an option *giving 40 per cent of the votes* in an electoral college to the trade unions and 30 per cent each to local constituencies and to MPs.

Right seeks fresh start for Labour, Page 4
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Chappel to fight decision, Back Page

Such an outcome, the result of a brilliant tactical operation by the Left and the switching of votes by key trade unions, was far worse than even the demoralised Right had predicted. But it could attract to the new party more MPs and disaffected party workers than would otherwise have been the case.

About a dozen Labour MPs together with many party activists, former politicians and others at present outside active politics are expected to join the new grouping. An initial list of the Council's supporters is *expected "at an early date,"* possibly later this week.

Right-wing MPs present at Dr. David Owen's East London home where the declaration was drafted included Mr. Ian Wrigglesworth (Teesside, Thornaby), Mr. John Roper (Farnworth), Mr. Mike Thomas (Newcastle East) and Mr. Robert Maclennan (Caithness and Sutherland).

Among others known to be considering joining are Mr. Neville Sandelson (Hayes and Harlington), Mr. John Horam (Gateshead West), Mr. Tom Ellis (Wrexham), and Mr. Dick Crawshaw (Liverpool Toxteth) who is a deputy speaker of the Commons.

How many more are to join will depend on events over the next few weeks, but there are many more MPs on the centre-Right deeply disturbed by the result of the Wembley conference and the increased control it has given to the unions at the expense of the Parliamentary Labour Party.

Some, like Mr. Denis Healey, deputy leader, and Mr. Roy Hattersley, Home Affairs spokesman, are determined to *stay within the party and seek* to reverse the Leftward trend of policy. But Saturday's outcome makes their task more difficult than ever.

Mr. Michael Foot, the Labour leader, and other senior party politicians are continuing to reject the prospect of a split but they admit that a breakaway of "defectors" could damage the party electorally and possibly give Mrs. Margaret Thatcher and the Conservatives another period of office.

The key to electoral success once the new party is launched will depend partly on its reaching an effective agreement with the Liberals on the choice of favourable seats to fight.

Mr. David Steel, the Liberal leader, is in favour of such an alliance as the best means of breaking the two-party stranglehold, but many of his party activists and some Liberal MPs

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BENN MAY CHALLENGE HEALEY

MR. TONY BENN may challenge Mr. Denis Healey for the deputy Labour leadership in October. He has indicated to his colleagues on the Left that he is prepared to consider standing under the system agreed on Saturday.

This emerged yesterday among other signs that internal party politics may yet again take some of the attention away from Labour's fight against the Tories at this year's party conference.

Some of those moderate Labour MPs, who are determined to fight back at the Left from within the party, were yesterday exploring the possibility of challenging Saturday's vote in favour of an electoral college dominated by the unions. They were considering whether it would be possible to get the issue on the agenda before the autumn conference approves the constitutional amendment preventing the debating of the same subject more than once every three years.

In the short term, some MPs may well urge their colleagues to resist the conference's decision on Saturday to set up an electoral college giving the Parliamentary Labour Party only 30 per cent of the votes compared to the trade unions' 40 per cent share.

Mr. Michael Foot, the Opposition Leader, himself indicated yesterday that he would not try to dissuade Labour MPs from trying to get the rules changed again at some future conference—though he would be unhappy at the idea of a challenge at this autumn's conference on the grounds that the last conference voted in favour of the principal of re-imposing the three-year rule.

But though the new college certainly strengthens the Left, it is by no means certain that Mr. Benn would beat Mr. Healey for the deputy leadership. Some of the largest unions would probably back Mr. Healey who could certainly do better among MPs than Mr. Benn.

Warburg and Fraser discuss their links

BY JOHN MOORE

S. G. WARBURG, merchant banking adviser to House of Fraser, the department stores group which owns Harrods, held a private meeting over the weekend in London with Sir Hugh Fraser, chairman of the group.

The meeting was arranged to discuss the surprise reconciliation between Sir Hugh and Mr. Tiny Rowland, chief executive of Lonrho, which is House of Fraser's largest shareholder.

Present at the Saturday meeting were Mr. David Scholey, joint chairman of Warburg, who had contacted Sir Hugh on Friday to arrange the meeting, Viscount Garmoyle, a senior director of Warburg, who has been closely associated with the House of Fraser account, and Mr. Michael Richardson, a partner in Cazenove, Fraser's stockbroking advisers.

At the meeting Sir Hugh was shown the text of statement prepared jointly by Cazenove and Warburg.

The Warburg-Cazenove statement says: "In the light of the complete personal reconciliation *betwen Sir Hugh Fraser and* Mr. Rowland which Sir Hugh Fraser has confirmed, and also in the light of comments attributed to Mr. Rowland and his colleagues Warburg and Cazenove are not aware of the present position within House of Fraser nor of the company's position in relation to their firms. They understand that the board of House of Fraser will be considering the situation shortly."

Sir Hugh Fraser is expected to call a board meeting this week at which the continuing role or the possible removal of Warburg as advisers to the group is likely to be discussed.

The statement had been prepared following a fierce battle between Lonrho and House of Fraser. Lonrho had been seeking to block a £29m sale and leaseback deal of Fraser group's D. H. Evans store in Oxford Street. It was defeated last Tuesday at an extraordinary general meeting in Glasgow of House of Fraser shareholders.

Barely 48 hours after the meeting, Sir Hugh Fraser and Mr. Rowland had buried their differences at a two hour meeting in the Marine Hotel in Prestwick and Mr. Rowland cancelled a plan to put up his 29.99 per cent shareholding in Fraser group for sale through a tender offer. Advertisement space, which had been booked, was promptly cancelled.

Mr. Rowland had said last Tuesday: "I certainly don't believe Sir Hugh Fraser should stay as chairman of House of Fraser." But he changed his mind by last Thursday.

Mr. Rowland sadi yesterday that if there were any move to oust Sir Hugh as chairman, "we will call an extraordinary *general meeting to reinstate* him."

Mr. Rowland, who has a seat on the Fraser board as does Lord Duncan-Sandys, Lonrho's chairman, said yesterday: "I want to get rid of Professor Roland Smith, the executive deputy chairman brought in by Warburg."

Sir Hugh is understood to be meeting on Tuesday Hugh Jenkins, of the National Coal Board's pension fund, a large institutional shareholder in the Fraser group. Mr. Jenkins is representing a number of instituions heading their specially formed "case committee" which is studying the latest position.

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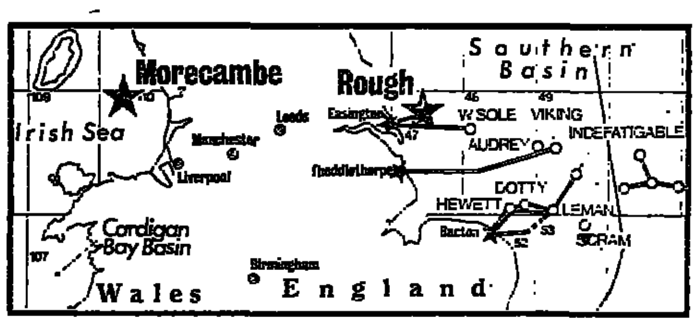
British Gas set to order 10-15 offshore platforms

BY RAY DAFTER, ENERGY EDITOR

BRITISH GAS Corporation is to order between 10 and 15 offshore platforms over the next few years as part of a £1.35bn programme to develop two natural gas fields.

The orders will boost the offshore construction industry, and *possibly the British Steel Corporation* which may be called on to provide material for the platforms.



The platforms will be needed for the Morecambe Field in the Irish Sea and the revamped Rough Field in the North Sea. As these are shallow-water discoveries, the platforms will be small by North Sea standards. Estimates suggest the platforms will be built for a total of between £100m and £200m.

Even so, there is likely to be keen competition for the orders from the main platform construction yards, as well as shipyards and fabrication yards equipped to handle small steel platforms.

The most ambitious British Gas development plan involves the exploitation of the Morecambe Feld. The project including pipelines and shore terminal, is costing an estimated £1bn.

The Corporation may eventually install up to 12 platforms above Morecambe. The large number is needed because of the size of the field—12 miles long by three miles wide—and because of the shallowness of the reservoir.

In the northern part of the North Sea, where fields lie deep in the earth's crust, offshore operators are able to penetrate a large reservoir from one or two platforms by using long, slanting wells. But this is not possible with a shallow field such as Morecambe.

Most of the platforms will be used for drilling production wells, although one or two structures will be needed to carry processing equipment. One platform will be used to accommodate 50 offshore staff to operate the field.

Morecambe is a medium-sized field with an estimated five to six trillion (million, million) cu ft of recoverable reserves. It is due to be brought on stream in late 1983 or 1984.

British Gas plans an unusually long operational life for Morecambe. The platforms may have to be designed to be in operation for 50 years, instead of the more normal life span of 20-30 years.

The reasons are twofold. Morecambe's gas will not be pro*duced continuously, but will be* allowed to flow mainly during the winter, at times of high demand. It is also expected that when part of the Morecambe reservoir has been depleted, British Gas will begin using the field as a seasonal storage "vessel."

Gas from other fields, or from coal-fed gas plants, will be pumped into Morecambe during the summer and extracted during the winter.

This is the sort of scheme about to be adopted in the partly-depleted Rough Field. Three new platforms will be needed here — two for drilling and one for process equipment.

Some £350m is being invested in Rough to turn it into a natural storage tank — peak-period producer. British Gas hopes to begin injecting gas from other fields in the summer of 1984 so that it can draw on the stored supplies in the winter of 1984-85.

The Corporation plans to produce from all sources up to 400m cu ft a day in 1984-85 and nearer 1bn cu ft a day in the following winter. By comparison, when the Rough Field was being operated at its full capacity in the late 1970s, the maximum output was about 170m to 180m cut ft a day.

It is thought that British Gas *will have to begin ordering the* new platforms for Rough next year or early in 1983.

Mr. Ronny Custis, director general of the Offshore Supplies Office—the Energy Department agency set up to encourage the development of the UK supply industry—said the platforms would provide "valuable and welcome" work for the platform-building industry.

He pointed out that there were also ordering prospects for several, much larger oil field platforms.

Madame Mao is spared death

BY TONY WALKER IN PEKING

JIANG QING, Mao Tse Tung's widow, was dragged from a special Peking court yesterday after receiving a death sentence, suspended for two years.

Madame Mao, who shouted revolutionary slogans as she left, was physically restrained during the sentencing of China's Gang of Four. They had been accused of persecuting thousands to death and plotting armed rebellion.

She will probably not be seen in public again, since there is no appeal against the sentence.

According to Xinhua, China's official news agency, Jiang towards the end of the court session "again disrupted order in the court" and the presiding judge ordered that she be taken from the courtroom.

Although the Gang of Four were accused of "towering" crimes against the people and the State, they received lesser penalties than common criminals recently convicted of embezzlement or rape. This distinction may represent tacit recognition by the leadership that the Gang's "crimes" were political.

Deng Xiaoping, a Communist Party vice-chairman, and an implacable opponent of the radicals who was purged twice during the cultural revolution, was apparently one of those who argued against executing Mme. Mao. Under Chinese law, she could be executed after two years if she does not repent. But it seems unlikely that the death penalty would be enforced, whatever her demeanour in captivity.

Xinhua reported that Jiang, aged 67, was handcuffed immediately after her death sentence was pronounced. It said there was "thunderous applause" when the judge announced the case was over.

Zhang Chunqiao, the former mayor of Shanghai who together

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Extra pay sought for tachograph

BY NICK GARNETT, LABOUR STAFF

THE TRANSPORT and General Workers Union has reversed its policy of non-co-operation with employers on the full use of the tachograph vehicle performance recorder.

The union's national road transport committee agreed at the end of last week to allow its regional negotiators to seek extra payments from employers where they can for co-operating in the full utilisation of the instrument.

The tachograph, which has to be fitted by law to lorries of more than 3.5 tonnes gross laden weight, will become compulsory as a performance, time and distance recorder from December 31 this year. From that date employers must use the device in place of the log book.

The union's previous policy was designed to withhold from hauliers the full co-operation of drivers. This was aimed at preventing companies from using the tachograph other than as a visual check on performance.

The national committee's decision appears effectively to clear the way for the full use of the device.

The committee did not make any recommendations to the regions on the size of money claims. However, some negotiators have talked of an extra £3 to £5 per man per week.

The policy of the Road Haulage Federation, which represents 14-15,000 haulage companies, is not to concede extra payments for the tachograph at regional level. But member companies would be free to sign their own separate deals if they were able to use the device as a way of measuring productivity.

● The Transport and General is recommending acceptance of a pay offer from the National Freight Corporation of a 5.2 per cent increase on the basic pay of top-rated drivers lifting it from £77 to £81.

Basic rates for drivers and handling staff in the other four grades would rise by 5 per cent.

The offer reflects similar-sized deals in the private road haulage sector. "Hire and reward" drivers in a number of regions work a guaranteed five hours overtime or more, with guaranteed earnings of about £100 a week.

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OVERSEAS NEWS

Political and economic hurdles narrow Deng's alternatives

Madame Mao, right, may soon prove one of the lesser obstacles to Deng Xiaoping's "reconstruction" of China. Besides leadership quarrels, he has also now to take account of the military's links to the Mao generation and of increasing public questioning of Marxism itself. Tony Walker reports from Peking.

CHINA'S Gang of Four trial, featuring Jiang Qing, Mao Tse Tung's widow in the starring role, is now over. This extraordinary event which effectively began with the arrest of the four on the evening of October 6, 1976 just weeks after Chairman Mao's death has taken almost the trials and the weeks of half a decade to resolve.

For the past several months deliberation by the judging panel has overshadowed all else in China, including the probable downfall of the Chairman of the Chinese Communist Party.

The trial, which lasted for some five weeks, capped four years of virulent anti-gang propaganda in the official media. The Chinese people were not allowed to forget the gang's alleged crimes in the time between their arrest and the trial itself.

This quasi-judicial event which held up a mirror to China's problems over the past several decades was as dramatic as it was, at times, unedifying. Proceedings were completely dominated by Madame Mao in her self-appointed role as conscience of a radical generation.

China now faces a future fraught with risks with the possibility of continuing political feuding and popular disillusion with Marxism. The leadership has partially resolved the tensions at the top by sentencing the Gang of Four and by easing Chairman Hua Guofeng out of the public eye. But this has only been achieved at a price.

Vice-Chairman Deng Xiaoping and his supporters appear to have got their way over the whole issue of the role of Hua and the Gang in exchange for a crackdown in intellectual freedoms, an action said to have been outlined in a secret speech by Deng a week ago.

Part of the latest round of the deal may have been to allow a graceful exit to Chairman Hua, who until recently seemed to have already surrendered his post as chairman to Deng's candidate, Hu Yaobong, the party's general secretary.

During the trial of the Gang, it looked as if a bargain had been struck whereby Hua had agreed to stand down as chairman provided the suppression of the 1976 Tienanmen riot—which took place when he was Public Security Minister, and therefore responsible for law and order—was not discussed in court. Hua then vanished from the Chinese scene at the end of November.

However, his name reappeared in an official Government message to the North Koreans in mid-January. While it hardly seems possible that he will resume the Chairman's functions, his re-appearance suggests that he—and the more radical communist leaders—want the outward decencies preserved and Deng has agreed to this to get his other policies through.

Hua's support at the centre must lie among the leaders who do not want to see Maoism totally abolished and fear the new paths Deng is taking.

These would probably include the elderly Yem Jiangyang, China's nominal Head of State, who has so far resisted efforts to get him to resign.

They might also take in officials who worked with Hua in 1977 and 1978 such as Yu Qiuli, who was moved out of his top planning job last autumn, and perhaps most important, top army leaders.

The military have suffered a decline in power and prestige since Deng grasped overall control at the end of 1978.

The economic restraint he imposed then has severely cut military spending. Senior army officers have been moved out of top provincial jobs and army privileges publicly criticised. Recruiting has become harder and demobilised soldiers no longer move easily into civilian jobs.

Almost every officer over the rank of battalion commander got his job in the cultural revolution period and so, like Hua, owes something to it.

In addition, the military mind, with its preference for order, is more at home with central planning than the apparently anarchic forces of the market place introduced by Deng.

The Chinese Press has stressed the need for army study and understanding of the new political line, a sure sign that the military is unhappy with it.

As threatening to China's stability as these divisions at the top is the disenchantment felt by many Chinese at politics in general and their leaders in particular.

Marxism has begun to lose its grip and even some senior Chinese are reported to feel surprised that capitalism elsewhere in the world has not collapsed, as predicted. On top of that, the Communist Party itself is sharply divided into generations. The cultural revolution intake is criticised as badly trained and without the honourable standards of the guerrilla party of the 1930s and 1940s.

Senior Government officials such as the Minister for Commerce, have recently been shown to be corrupt and inefficient and the Chinese in general are weary of the apparently endless struggle between "left" and "right" and disillusioned with stop-go economic policies.

Chinese leaders have to get the policies right, the Peoples Daily cautioned recently; the masses could not be expected to forgive endless mistakes.

This comment was pointedly relevant to Peking's repeated failure to control public spending and the consequent soaring inflation in the past 18 months.

In early 1979, the Chinese leadership announced a retrenchment in capital construction to try to get a better balance in the economy but it has still not managed to enforce it. As a result, wage rises awarded two years ago now mean little and the white collar workers who, unlike factory employees, do not get bonuses, are probably now worse off.

While political turmoil and economic hurdles have beset China before during the past 30 years, this is the first time they have both threatened when pragmatic and capable leaders were in power.

If Deng and the economists fail, there is no credible alternative to fall back on. The possibility that his leadership may lose its way in a morass of troubles is rendered more damaging by the high expectations it originally engendered among ordinary Chinese.

But if the question of Hua and the trial can now be set on one side, and the tighter control of the economy bears fruit, there is some hope of resolving the other problems.

Saturday work rebuff for Warsaw

By Christopher Bobinski in Warsaw

THE CAMPAIGN by Polish authorities to persuade the population to work two Saturdays a month suffered a serious rebuff when, according to official estimates, only 60 per cent of the workforce turned up at their jobs on Saturday.

This was less than last January 10, when officials say, 65 per cent reported on what was declared a working Saturday by the Government. Solidarity, the independent union, has told its members that, according to agreements signed by the Government with strikers last autumn, all Saturdays were to be work-free, starting this year.

A union official in Gdansk said attendance on Saturday was about 20 per cent. But both official and union accounts agreed that attendance at the politically crucial large industrial plants was minimal.

Aside from the Saturdays issue, the differences between the two sides on work hours is not great. The Government is holding out for a 42.5-hour working week, while, last week, Solidarity proposed a 41.5-hour week in talks with officials.

The lack of agreement last week would suggest that the authorities wanted to see if their stance on this issue had gained them popular support since January 10. But a conciliatory statement by a Government official on Saturday evening made it clear that further talks were possible and the tone shows that, in the light of the increased absenteeism on Saturday, the authorities are ready to review their policy on the issue.

Next Wednesday, the Solidarity national committee is to meet in Gdansk to decide whether to hold a national token strike on February 3, lasting anything from one to four hours, to press the Saturdays demand and others, like access to the media for the union, which are still unfulfilled.

Meanwhile, the weekly Zycie Gospodarcze has called on its readers to set up an independent national consumer association to defend consumer interests. The paper says it is ready to back such a movement and the initiative is supported by the Internal Trade Institute, a research body.

Paul Lendvai writes from Vienna: The Belgrade Borba, which usually expresses the views of the top Yugoslav party leadership, criticised the latest strikes in Poland yesterday and warned that further deterioration of the situation could provoke foreign intervention.

And the Prague party paper, Rude Pravo, levelled the hitherto sharpest attack at the Polish party, drawing parallels between the events in 1968 in Czechoslovakia and the present situation in Poland. The paper demanded the dissolution of organisations which serve as a base for "counter revolutionary" elements.

W. German inflation rate rises

By Jonathan Carr in Bonn

WEST GERMAN inflation again increased this month, and may have touched an annual rate of six per cent for the first time since last June.

Several special factors are involved in the latest rise—among them a cut last year in telephone charges, which lowered the base rate with which this month's result is being compared.

Nonetheless the increase, word of which has reached the Government in advance of an official announcement by the Federal Statistical Office, is coming at a highly sensitive moment.

The annual wage negotiations have just begun and the expected inflation rate for 1981 will be a key factor influencing the level of a final settlement.

Until recently, the Government was saying it expected an inflation rate averaging about four per cent this year, but it is understood that this figure will be revised upwards to about 4.5 per cent in official projections to be announced shortly.

However, trade unions are likely to view even this revised figure with scepticism. Cost of living rose at an annual rate of 5.1 per cent in October, 5.3 per cent in November, 5.5 per cent in December and now it is up again.

THE FRENCH PRESIDENTIAL ELECTION

Socialists nominate Mitterrand

BY ROBERT MAUTHNER IN PARIS

M. FRANCOIS MITTERRAND was nominated as the French Socialist Party's official candidate for the French presidential election, due to be held at the end of April and the beginning of May, by an overwhelming majority of militants at a special party congress on Saturday.

The Socialist leader is thus the second of the main candidates to enter the presidential lists officially, preceded only by M. Georges Marchais, the Communist leader.

M. Mitterrand's chief rivals, President Giscard d'Estaing and M. Jacques Chirac, the Gaullist leader, have not yet made their intentions known, though both are confidently expected to announce their candidacies shortly.

M. Mitterrand's nomination comes at a time when his standing in the public opinion polls is improving rapidly. After lagging far behind M. Giscard d'Estaing for the past year or so, the Socialist leader, who has twice before run unsuccessfully for the presidency, appears to be making a comeback.

The latest polls indicate—if the election were held now M. Giscard d'Estaing would beat the Socialist leader by only a short head. One poll has even predicted victory for M. Mitterrand.

Though the nomination of M. Mitterrand was little more than a formality after the withdrawal from the race last November of his main rival, M. Michel Rocard, leader of the party's Right wing, the size of the vote in his favour was significant. The fact that nearly 84 per cent of the party militants voted for M. Mitterrand reflects a new-found party unity, after the bitter internecine quarrels of the past two years.

The congress also adopted the Socialist candidates manifesto for the presidential election which, in a preamble written by M. Mitterand himself, underlines "the failure on all fronts" of M. Giscard d'Estaing's seven-year term at the helm of the country.

The 110 proposals made in the manifesto include, notably, the same nationalisation measures contained in the original Socialist-Communist common programme of 1972.

Though they are not mentioned by name, the document specifically refers to the nationalisation of the country's nine main industrial groups and the extension of state control to those banks and insurance companies which have not been nationalised already.

The manifesto also proposed selective measures to stimulate the economy, the progressive reduction of the working week to 35 hours and the reduction of the president's term of office. But the timing of these measures is not spelled out and the document contains few figures.

At a mass meeting on Saturday night, attended by tens of thousands of Socialist supporters, M. Mitterrand warned the country that its democratic system was in danger. "We live in a disgused monarchy which is not quite constiutional. The Government of France has disappeared behind the power of the President," he said.

Major West Bank settlement drive reported

BY DAVID LENNON IN TEL AVIV

ISRAELI SETTLERS yesterday took over a hilltop on the occupied West Bank north of Jerusalem in an attempt to force the Israeli Government to build them a permanent settlement there. This move came amid reports that the Government is determined to establish an additional 22 Jewish settlements in and around the West Bank before the July general election.

The military Government on the West Bank, which in the past has removed Israelis making unauthorised settlement attempts, announced yesterday that it would not send the army in against the 250 Gush Emunim squatters.

The settlers said they have been living in temporary quarters in the Givon settlement for the past three years, awaiting the construction of permanent homes on the nearby hillside which they took over.

The director-general of the Prime Minister's office, Mr. Matityahu Shmuelevich, said after visiting the new encampment that the settlers were "not breaking the law." The settlement had been planned, he said, but implementation was held up by a disagreement between the Housing and Agriculture ministries.

The generally held belief among the Israelis who have settled in those areas of the West Bank densely populated by Palestinians, is that if the Labour Party wins the next election, as predicted, it will halt the settlement drive. Because of this, they want as much permanent housing as possible constructed before the July elections, thus making their removal more difficult in the event of a peace agreement over the West Bank.

This feeling is shared by Mr. Ariel Sharon, the Agriculture Minister, who is in charge of the settlement programme. He has been seeking ways of speeding up the building of permanent homes for the settlers. Because of budget restrictions he recently proposed that private construction companies be given valuable land sites in Israeli towns in exchange for building the settlers' homes.

It was reported in the authoritative Ha'aretz daily yesterday that the Housing Minister is holding intensive discussions with a group of contractors for the construction of up to 3,000 new houses in three West Bank settlements.

Bani-Sadr's paper launches attack on hostage deal

BY TERRY POVEY IN TEHRAN

AFTER ALMOST a week since the release of the 52 U.S. diplomats, arguments in Tehran over the nature of the settlement with Washington are becoming increasingly bitter.

An editorial in yesterday's issue of the Islamic Revolution newspaper, which supported President Abol Hassan Bani-Sadr, accused Government officials and the pro-clergy Press of deceiving Iran about the agreement—which led to the release of the hostages and the unfreezing of Iranian assets in the U.S.

"How do those involved dare to call this a victory for Iran and a defeat for the U.S.?" asked the article. "They have been so much involved in their deceptions and in feeling superior that it never occurred to them that anyone would read the agreement carefully."

The editorial went on to quote Mr. Jimmy Carter, the former U.S. President, as saying that Iran had obtained less than $3bn of its frozen assets, valued at between $11bn and $12bn before the taking of the hostages, in exchange for their release. It then asked who was telling the truth—Mr. Carter or the Iranian Government officials and the newspapers supporting the hard-liners in Iran's continuing power struggle.

"It is very sad to admit that in this case it is Mr. Carter who is telling the truth and not our own officials and newspapers who are deceiving the people," the paper said.

The editorial began by referring to earlier articles in the fundamentalist press which, in banner headlines, had acclaimed "total victory for Iran over U.S." and of "the U.S. surrenders to Iran's conditions."

One of the fundamenalist papers claimed "the $12.bn of our assets taken out of the U.S. shook the American economy."

Replying to these, Islamic Revolution charged that none of the original conditions set by the Parliament had been met and that far from surrendering to Iran's demands, the U.S. was "laughing at our newspapers and their headlines."

"The deception did not end here, however, Dr. Beheshti said that there was no hurry to solve the hostage problem yet everything was rushed through so fast that the fear of Reagan in their hearts was obvious to all," continued the editorial.

Dr. Beheshti is the leader of the Islamic Republican Party, the arch-opponents of President Bani-Sadr.

"They have manipulated the peoples' feelings for one and a half years and yet not taken a single step in the direction of ending our dependence of the West."

Observers consider that this particularly biting editorial in the President's own newspaper foreshadows a further round of political in-fighting that may well reach a new peak of intensity as Iran moves towards celebrating the second anniversary of its revolution, on February 11.

WORLD TRADE NEWS

Britain offers Malaysia £77m in aid and credit deal

BY OUR WORLD TRADE STAFF

THE UK is to provide Malaysia with £77m over the next three years, in a mixture of bank credits and aid, to finance the purchase of British goods and services for use in major capital projects.

The agreement provides fresh evidence of a more aggressive UK use of mixed credits in order to maintain the export competitiveness of British companies.

Mixed credits blend export credit offered at normal international rates with concessional aid, so that the buyer of the goods pays a lower effective interest rate.

This is the first time the UK has provided a mixed credit which is not linked with a particular project. It is designed to help UK companies win orders, mainly for plant and machinery, in the development of Malaysian transport, mining, electricity generation and distribution, telecommunications, energy and agro-industry.

It reflects concern about orders won by French and Japanese companies, using mixed credits, and signifies the desire to give UK companies the ability to match competitors. But the Malaysian Government will still put goods out to open tender.

The mixed credit is made up of £57m in loans from commercial banks, backed by the Export Credits Guarantee Department and carrying the accepted international interest rate for developing countries of 7.75 per cent, and aid of £20m. The funds will be paid over three years.

The aid portion of the credit is interest free, but the capital will be repaid over 25 years with a grace period of seven years. It comes from the Aid and Trade Provision of the Overseas Development Administration's budget.

For 1980-81, £41m has been allotted in total to this Provision. The allotment is expected to be of the same order in 1981-82.

Last week the Government took another step to match the use of soft credits by competitors, when it decided to provide funds for the Export Credits Guarantee Department selectively to finance credits offered at rates lower than those specified in internationally agreed guidelines.

Jamaica to spend £6m on BL cars

By Canute James in Kingston

THE JAMAICAN Government is to purchase from Britain £6m in BL Land-Rover vehicles for the island's police force and electricity generating equipment. The deal will be backed by a loan from the British Government.

The loan was signed here at the weekend by Mr. Nicholas Ridley, Minister of State in the Foreign Office, and Mr. Edward Seaga, the Jamaican Prime Minister and Finance Minister.

The loan is for 25 years at 6 per cent interest, with a three-year grace period.

Bankers in Kingston say they hope this British loan will be followed by a restoration of cover on exports to Jamaica by the Exports Credits Guarantee Department (ECGD). Cover was lifted just under a year ago, and there are indications the ECGD will not be reimposing until the island has an agreement with the International Monetary Fund.

The Jamaican Government is negotiating with the fund for $600m in credits.

● UK suppliers to capital plant, equipment and services for the oil industry will be able to obtain finance for exports to Argentina under a US$10m line of credit guaranteed by the Export Credits Guarantee Department (ECGD). The loan to Yacimientos Petroliferos Fiscales Sociedad del Estado of Argentina has been arranged by Morgan Grenfell, acting on its own behalf and for Lloyds Bank International, and will finance 85 per cent of the value of contracts.

SHIPPING REPORT

Tanker rates hold steady

BY LYNTON McLAIN

RATES in the tanker chartering market remained almost static last week as inquiries failed to materialise.

However, some business for very large crude carriers and ultra large crude carriers was finalised, although only, in general, at the level of recent rates.

The exception last week was Exxon, which chartered several ultra large crude carriers for trade between the Gulf and the West.

In the VLCC market, the current rates for business to Europe and the Caribbean were around Worldscale 29. The availability of large tonnages in the Gulf area has kept rates from rising to the level of Worldscale 30 sought by many owners.

Inquiries in the Mediterranean market changed little over the week and, in the West African markets, movements of tankers dropped sharply.

The timecharter market, however, looked more promising last week. One U.S. independent oil company and a major oil company sought tonnage in the range 120,000 deadweight tonnes to 150,000 dwt for prompt delivery for charter for periods of up to a year.

UK moves to boost Russia trade

BY PAUL CHEESERIGHT

THE UK GOVERNMENT's attempt to restore high-level trade diplomatic contacts with the USSR reaches a watershed today when a Department of Trade delegation starts three days of talks at the Ministry of Foreign Trade in Moscow.

The four-man delegation, led by Mr. Gavin Dick, under-secretary for Trade, will receive the Soviet reply to a British invitation to resume ministerial meetings of the Joint Commission for Anglo-Soviet trade later this year, possibly in May.

Mr. Dick's talks, although likely to be routine in content, signal the UK Government's desire to step back slightly from the adverse relationship adopted in the aftermath of the Soviet invasion of Afghanistan, in the interests of more orders for British business.

The Soviet response on the question of ministerial meetings of the Joint Commission will indicate whether the USSR is prepared to see trade relations overshadow political differences. It seems likely that the USSR will welcome the British initiative.

At a meeting of the London Chamber of Commerce last November, Mr. V. N. Sushkov, the USSR's Deputy Minister of Foreign Trade, went out of his way to urge British companies to make contacts with the official Soviet buying agencies and presented a lengthy shopping list.

The UK Government's motives in acting now to give existing and future trade a sounder political backing appear to spring from two motives.

Britain's desire to strengthen its trade ties with the Soviet Union is partly motivated by the fact that many of its partner countries in Europe continued to do large scale business with Russia in spite of the Soviet invasion of Afghanistan. There is no longer considered to be much point in losing orders to such competition

The first is that other European countries were not prepared to go as far as the UK Government in curbing trade diplomatic links with the USSR and have continued to do business on a large scale. There were, for example, Franco-Soviet Ministerial trade talks at the end of last year. There is not considered to be much point in losing orders to such competition.

The second is that, by March, the USSR should be in a position to start placing major orders for new projects as the priorities of the new Five-Year Plan are spelled out.

It is for this reason that bodies like the East European Trade Council in London welcome the reinstatement of the Joint Commission and the possibility of high level trade talks for the first time in a couple of years.

But it is clear that the UK Government is not prepared to offer the USSR preferential terms to increase trade. There are no plans to reintroduce the five-year £950m export credit made by the Wilson Government in 1975 at interest rates of 7.1-7.45 per cent, of which only £550m had been used.

Similarly, the Government will maintain a rigid hold on exports involving strategically sensitive technology.

The key to the Government's policy remains as Lord Carrington, the Foreign Secretary, set it out in the aftermath of the invasion of Afghanistan: trade should be pursued "on a basis of mutual advantage."

The difficulty is that the USSR may well have a different interpretation of what is "mutual advantage" than Whitehall. Businessmen with ministerial contacts in Moscow have obsevedr that the Soviet atuhorities treat the refusal of the UK to offer export credit on terms more generous than the international consensus as politically motivated.

Such considerations so far do not seem to have affected UK trade. Exports in the first 11 months of 1980 rose to £421.7m from £380.7m in the same period of 1979, as contracts signed in earlier stages of the expiring Five-Year Plan were worked through.

World Economic Indicators

(Retail Prices)

					% change over previous year	Index base year
	Dec. '80	Nov. '80	Oct. '80	Dec. '79		
UK	204.4	203.3	201.7	177.6	15.1	1975=100
	Nov. '80	Oct. '80	Sept. '80	Nov. '79		
Germany	123.7	122.9	122.7	117.4	5.3	1975=100
France	172.0	170.8	168.9	151.4	13.6	1975=100
Belgium	140.2	138.8	137.5	130.3	7.6	1975=100
Netherlands	138.0	137.7	136.8	128.9	7.1	1975=100
Italy	228.6	224.1	220.3	187.5	21.9	1975=100
U.S.	158.9	157.5	156.1	141.1	12.6	1975=100
	Oct. '80	Sept. '80	Aug. '80	Oct. '79		
Japan	140.2	140.0	137.9	130.1	7.8	1975=100

EEC starts Japan talks

TOKYO. — A delegation from the EEC Commission begin talks here today with Japanese officials on curbing Japan's exports to the EEC, particularly cars and electronic products, and allowing European companies to increase their sales in Japan.

The delegation, led by Mr. Roy Denman, the Commission's director-general of external affairs, follows a mandate last November by EEC Governments to negotiate in the hope of avoiding an all-out trade war.

The EEC had a trade deficit with Japan last year of $10bn (£4.1bn) against $7bn in 1979.

Japanese car exports to the EEC rose 19 per cent in the first eight months of 1980 to $1.6bn.

Reuter

Japan work concept takes root in UK, Page 12

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Office of Fair Trading to investigate breweries

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE MAJOR breweries' policy of offering cheap loans to independent pubs and clubs in return for selling their beer is being investigated by the Office of Fair Trading. The policy may be an anti-competitive practice. The OFT could decide to conduct a formal investigation under the Competition Act.

The preliminary investigation follows complaints by small brewers that the number of independent outlets is being restricted.

"The 'free' trade is being tied up increasingly by pubs and clubs taking these cheap loans from the big brewers," said Mr. Peter Austin, chairman of the Small Independent Brewers' Association.

The association, of which more than 50 small breweries are members, has written to the OFT and to Mrs. Sally Oppenheim, Minister for Consumer Affairs, about the problem.

Loans provided by the big breweries are often at nil or low interest rates. On average they are for £7,000 although they can be for much larger amounts. The loans are usually repayable over five to 10 years, although they can be repaid or recalled with three to six months' notice if the loan conditions are broken.

These conditions usually specify that the pub or club must take a certain amount of beer from the brewer in the period of the loan.

The total amount of such loans amounts to more than £175m. About 15 per cent of all beer sales are through outlets which have a loan.

The brewerie's policy of giving cheap loans is not a new one. The anti-competitive aspects were criticised several times in official reports.

The 1979 Price Commission report into Bass, for example, concluded that "the potentially anti-competitive nature of such a practice (cheap loans) may merit further and more specific examination."

The OFT's renewed interest in the problem follows the more widespread availability of such loans in the past year. With 1980 beer output having fallen by about 4 per cent, the big breweries are anxious to increase their sales in the "free" market.

Strong criticism of the ownership of "tied" pubs by breweries has led to some breweries exchanging public-houses to reduce their dominance in certain areas, thus making the "free" market a valuable growth area for beer sales.

Bass, for example, told the Price Commission that it expected half its total sales would come from the "free" market by the early 1980s.

The Brewers' Society said yesteday that low-interest loans for pubs and clubs enabled these outlets to povide a better service and facilities for consumers. The society also said that banks and other financial institutions were often unwilling to lend money in the same way to the "free trade."

Apart from the OFT investigation the issue could be raised in the forthcoming Monopolies and Mergers Commission report on "tie-in" sales and "full-line" forcing.

Retailers protest at alcohol Bill

BY OUR CONSUMER AFFAIRS CORRESPONDENT

PROPOSED legislation to restrict the way in which alcohol is sold in supermarkets has been criticised by the Retail Consortium, which represents the bulk of Britain's retailers.

The Consortium has written to the Home Office alleging that the proposed legislation is "against the interests of the consumer and the retail trade."

The second reading of the Licensing (Amendment) Off Licences Bill—sponsored by Lord Inglewood—is due to be heard on Wednesday in the House of Lords. The Bill seeks to amend the law so that alcohol can be sold in supermarkets only from enclosed departments, or from a counter where there is no self-service.

It also seeks to prevent the sale of alcohol by people under the age of 18 in both supermarkets and off-licences.

In its letter, the Consortium suggests that "the Bill is biased and is inspired by the public house sector, which is alarmed at the growth of the take-home trade in alcohol.

Mr. Richard Weir, the Consortium's director-general, said yesterday that the present system of alcohol sales in supermarkets enabled the less experienced wine drinker to choose his wine without exposing his ignorance. By drinking it at home rather than in licensed premises, it also supported the campaign to prevent drinking and driving.

Electronics investment

BY NICHOLAS LESLIE

BRITISH venture capital is being invested in a new U.S. electronics company in a deal that will ensure the transfer of technology to the UK and the creation of jobs.

Technical Development Capital, part of the Finance for Industry group owned by the big clearing banks and the Bank of England, is investing $500,000 (£208,333) in LSI Logic Corporation, which was set up last Tuesday and will be based in California's Silicon Valley.

LSI Logic, which plans to make customised, large-scale integrated circuits, is the brainchild of Mr. Wilf Corrigan, the British-born ex-president and chairman of Fairchild Camera and Instrument Corporation, one of Silicon Valley's largest occupants.

In all, $6m is being put up to establish LSI Logic, with a substantial portion being invested by Corrigan himself. The balance is being invested by a syndicate that includes TDC, together with a group of American investors and a Japanese manufacturer.

TDC's investment beaks new ground in venture capital investment in that its specific purpose is to bring new technology to the UK and create new jobs.

Mr. Ivan Momtchiloff, director of TDC, said his company would put more money into LSI Logic when it established a manufacturing facility in the UK in two or three years. LSI Logic would have a "fairly substantial" requirement then, and he hoped TDC would lead a syndicate of lenders.

Property accounts proposal attacked

By Michael Lafferty

PROPOSALS TO introduce a special accounting system for Britain's property companies have met with an unexpected barrage of criticism from auditors throughout the country.

The auditors want the property industry to be subject to the same rules as other companies. In particular, they want the property companies to deduct depreciation on their buildings in striking profits or losses for the year.

The reaction of the auditors has surprise officials and members at the Accounting Standards Committee, the rule-making body on company accounting matters. They have reacted by calling on the property industry to come out publicly in support of the special plan.

The affair is only the latest twist in a long-running saga. It began when the committee first introduced an accounting standard on depreciation, which would have required all companies to depreciate fixed assets other than land.

Then the property companies objected, demanding that they should be exempted from the ruling because of their different circumstances. They feared that depreciation charge would, in any case, affect their ability to pay dividends.

The committee initially rejected the property industry case, but was forced to do so later at the direction of the council of the English Institute of Chartered Accountants.

The property industry seemed to have won a resounding victory last September when the committee published a draft standard saying property investment companies would not be required to follow the historic cost accounting system, with the obligation to charge depreciation against profits.

Instead, the property companies were to be permitted to revalue property assets each year.

The auditors' objections have surfaced through the English Institute's technical advisory committee. This is a nationwide 65-man grouping of chartered accountants.

Milk and fresh fruit increases push up grocery price index

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE FINANCIAL TIMES grocery prices index rose slightly in January as a result of higher prices for milk and fresh fruit and vegetables.

The index in January was 130.96, compared with 129.38 last month.

The increase in the price of milk at the beginning of January meant that the cost of the dairy produce section of the shopping basket rose from £640.63 to £663.29. The other major rise was in the fresh fruit and vegetables section, which increased from £233.49 to £242.20.

The FT grocery prices index is only an indication of the trend in food prices and is not intended as an absolute indicator of price levels.

The index is based on data collected each month by 25 shoppers who monitor the same list of 100 grocery items each month in the same shops. The shops chosen range from superstores to small village grocers.

Figures published today show that average spending on food for consumption at home rose by 10 per cent in the third quarter of last year, compared with the same period in 1979.

The national food survey for the third quarter shows that average expenditure was £7.36 per person per week. This was about 8p more than in the second quarter of last year.

FT SHOPPING BASKET JANUARY 1981

	January £	December £
Dairy produce	663.29	640.63
Sugar, tea, coffee and soft drinks	209.76	208.18
Bread, flour and cereals	304.01	305.28
Preserves and dry groceries	109.81	109.72
Sauces and pickles	53.83	52.74
Canned goods	190.47	191.10
Frozen foods	232.07	231.98
Meat, bacon, etc. (fresh)	535.00	536.10
Fruit and vegetables	242.20	233.49
Non-foods	244.03	241.57
Total	2,784.47	2,750.79

1980: January 120.47; February 122.32; March 124.18; April 125.94; May 128.79; June 128.53; July 129.04; August 128.41; September 127.41; October 126.84; November 127.77; December 129.38.
1981: January 130.96.

The Ministry of Agriculture says the increase in spending was accounted for by a rise of nearly 12 per cent in the prices paid by housewives, as well as a "trading down" to lower priced food items.

The figures show that the decline in milk sales continued throughout the period. Average consumption fell by 2 per cent compared with the second quarter to 4.05 pints per person per week.

The average consumption of eggs was also at a low level—about 3.66 eggs per person per week—while sugar consumption continued its long-term downward trend.

There was a small decline in consumption of potatoes and other fresh vegetables, compared with a year earlier. But more white standard loaves were consumed during the third quarter than in the previous quarter.

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Coal imports reach 7.3m tonnes

BY MARTIN DICKSON, ENERGY CORRESPONDENT

FRESH DEMANDS for curbs on coal imports are likely to be sparked off by official statistics showing the UK imported 7.3m tonnes last year—nearly 3m tonnes more than in 1979.

The total remains small in comparison with National Coal Board sales of some 120m tonnes, but the issue is particularly sensitive among Labour MPs and trade unionists because the NCB is facing a 6m tonne drop in domestic demand for its coal in the year to March 31.

Because of these market difficulties the Coal Board is to announce an austerity package on February 10 which will include production cuts and is also expected to mean accelerated pit closures.

Mr. Alex Eadie, an Opposition energy spokesman said at the week-end that it was "a mad, lunatic policy" to be importing all this coal.

But such complaints are likely to cut little ice with the Government, which is committed to the free play of market forces.

Announcing the import figures in a Parliamentary answer, Mr. John Moore, a junior Energy Minister, said that "it is for the individual to make his own decisions on where to obtain supplies." However, Mr. Moore did add that imports were expected to fall by about 2m tonnes this year.

The drop is due mainly to the Central Electricity Generating Board, which is expected to import less.

Imported coal has a price edge at some Thames power stations and the Generating Board uses the import threat as a means of exerting pricing pressure on the NCB.

Another significant coal importer is the British Steel Corporation. The NCB is giving British Steel costly subsidies to prevent it importing even more.

Mr. Moore says that in the first 11 months of last year Britain imported 2.3m tonnes of coking coal, used mainly by the steel industry. It was worth £68m and came mainly from the U.S. Imports of steam coal, largely destined for the CEGB, totalled 4.3m tonnes, worth £117m. About 2.2m tonnes came from Australia and 1.9m from the U.S.

Some 294,000 tonnes of anthracite, worth £17m, was also imported. Britain produces too little anthracite to meet demand.

City office rents 'likely to rise 80% in 5 years'

By Michael Cassell

PRIME office rents in the City of London could rise by anything up to 80 per cent over the next five years, according to Richard Ellis, the estate agents and chartered surveyors.

In a report on the prospects for the City property market, Ellis predicts that current top rents of about £25 a square foot for prime space in the banking and insurance areas might reach £40-£45 a square foot by 1985.

Rental growth over the next 11 months is expected to be kept to under 10 per cent. This year, the City office market will see, as it did last year, an overall surplus of about 1m sq ft floorspace. This would mostly affect areas outside banking and insurance locations.

Take-up of office accommodation is this year expected to account for between 2¼m and 2½m sq ft of floorspace. A peak in new development completions of just over 2m sq ft is expected—together with space becoming available in existing buildings—to push total supply up to about 3½m sq ft.

The new supply of office space is likely to average about 3m sq ft a year during the early 1980s. Demand is expected to rise to about the same level by next year and to continue in 1983 against a background of improving business conditions.

There will, Ellis believes, be an overall shortage of City office space by 1983. Since few developments are planned for 1984 and 1985, the market might not move into surplus even if the economy is by then again turning down and demand weakening.

The fastest rental growth is expected in the City's "inner core," where rents have risen more slowly since 1975 than in some other central London areas.

The agents say: "Although top City rentals did not keep pace with inflation during the last market cycle, they have shown growth in real terms over a longer period. A continuation of this trend in the more balanced market of the early 1980s could result in top rents in the banking-insurance area reaching £40-£45 a sq ft by 1985."

Ellis says that two-thirds of all space coming on to the City office market—which comprises an estimated 39½m sq ft of floor space—will continue to involve existing buildings.

Aerospace may sell shares soon

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE LONG-AWAITED decision to sell off a substantial minority of the shares in British Aerospace, the State-owned aircraft and missile group, is expected to be announced next week.

The Government, through the Department of Industry, its financial advisers (including Kleinwort Benson), and British Aerospace itself have been working together for weeks to draw up the prospectus for the share sale.

This is expected to be a substantial document, revealing much hitherto secret information about the group's activities, including details of its investments in civil programmes.

Information on military programmes is likely to be less comprehensive, because of the need for much financial and other detail to remain classified under the Official Secrets Acts.

Even so, more information about military and missile ventures than ever before seems likely to be revealed.

The amount of cash to be raised is expected to be about £138m. The Government has already said that this will be the group's commencing capital, equal to the amount of compensation paid to former owners of the companies taken over to form British Aerospace in 1977.

The Government has also already made it clear that a proportion of the shares worth up to £50 per employee will be offered to workers in British Aerospace, provided they agree to vest them in the Trustees of the British Aerospace Employee Share Ownership Scheme for at least two years.

In addition, there will be a matching offer of a limited number of shares free on a one-for-one basis for all those *employees buying shares*. Details of these offers have already been circulated to the 73,000 British Aerospace workers.

The remainder of the shares are likely to be taken up quickly.

BSC sales drive worries stockholders

By Alan Pike

REPRESENTATIVES of Britain's steel stockholders are to meet Mr. Ian MacGregor, chairman of the British Steel Corporation, next month. They will tell him that aggressive sales techniques are putting them under severe pressure.

Many smaller stockholders are worried that if British market prices do not stabilise soon, they will be forced to go abroad, rather than to BSC, for a higher proportion of their steel.

There are indications that mandatory production controls imposed on the European steel industry by the EEC Commission in November, are beginning to produce higher prices in some countries. But their impact has not yet worked through to the depressed British market.

BSC is campaigning to improve its market share with a sales drive through British Steel Service Centres

Strong pound raises tax on food imports

BY DAVID MARSH IN LONDON AND JOHN WYLES IN BRUSSELS

THE TAX on Britain's food imports under the EEC farm price mechanism rises today to a record 15.1 per cent as a direct result of the heady rise of sterling during the past week.

The tax arises from the pound's rise to well above the artificial "green" value used to translate EEC farm prices into sterling.

To make up for the difference, the EEC imposes an import levy in the form of "positive" monetary compensation amounts (MCAs). These in effect cancel out the impact that the higher *rate of sterling would otherwise* have in cheapening food imports, and act as a tax on consumers and a subsidy for farmers.

The rise in Britain's MCA level to plus 15.1 per cent from 13.5 per cent last week and only 10.7 per cent at the end of November has reflected the climb of sterling on the foreign exchanges during that period.

The Government is clearly embarrassed by the steady increase in the MCA but has so far withstood pressure to give consumers the benefit of sterling's firmness by revaluing the green pound.

However, some revaluation of the green pound is probably inevitable over the next three months because the Community is formally committed to eliminating MCAs.

As a result, the European Commission is expected to propose the two or three point cut *in German and British* MCAs when it unveils its suggested increases in EEC farm prices for 1981-82 in the next two or three weeks.

A three point cut would slice an equal amount off the value of any EEC price rises to British farmers. This means that Mr. Walker would need a 13 per cent price increase to deliver 10 per cent to his financially hard-pressed farmers.

However, the UK is formally committed to a prudent pricing policy for EEC agriculture and a row is looming between the Treasury and the Ministry of Agriculture about the level of the EEC price rises the UK should support.

NCCL to challenge contempt ruling

By Raymond Hughes, Law Courts Correspondent

MISS HARRIET HARMAN, legal officer of the National Council for Civil Liberties, will appeal this week against a High Court ruling that she was guilty of a serious contempt of court when she showed a journalist confidential Home Office documents after they had been read out in open court.

Mr. Justice Park said in November that documents were produced in court by parties to litigation to help the court, not the Press.

He acknowledged that there was "an apparent absurdity" in the proposition that a solicitor like Miss Harman could be in contempt in publishing documents after they had been read aloud in court.

But, he said, the explanation lay in the reason for the production of documents by parties: to enable the court to arrive at the truth.

He feared that litigants might be less than frank in disclosing relevant documents if they thought the other side might publish them after they had been read.

The ruling was widely *criticised*, not only by newspapers, but also by lawyers and, privately by some of Mr. Justice Park's fellow judges. The case has also been raised in Parliament.

Dearer tobacco

SOME OF Britain's most popular brands of cigarettes will cost up to 5p more a packet from Monday week. Imperial Tobacco—makers of Player's No. 10, Woodbine and the Embassy range—blame increased costs for the price rises, announced today.

Directors' plea

THE Institute of Directors has urged Sir Keith Joseph to use *his Department of Industry* as a lobbying force to persuade the Treasury and the Departments of Employment and of the Environment to consider more adventurous and radical policies for the creation and growth of businesses.

Right seeks fresh start for Labour

THE FOLLOWING statement was issued yesterday via the Press Association by Mrs. Shirley Williams, Dr. David Owen, Mr. Bill Rodgers and Mr. Roy Jenkins.

It follows the Labour Party's special conference at Wembley at the weekend at which *delegates voted to choose the* party's leader and thus Britain's potential Prime Minister by an electoral college 40 per cent of the votes of which would be held by trade unions.

The statement read:

"The calamitous outcome of the Labour Party Wembley conference demands a new start in British politics. A *handful of trade union leaders* can now dictate the choice of a future Prime Minister.

"The conference disaster is the culmination of a long process by which the party has moved steadily away from its roots in the people of this country and its commitment to parliamentary government.

"We propose to set up a Council for Social Democracy. *Our intention is to* rally all those who are committed to the values, principles and policies of Social Democracy.

"We seek to reverse Britain's economic decline. We want to *create an open*, classless and more equal society, one which rejects ugly prejudices based on sex, race or religion.

"A first list of those who have agreed to support the council will be announced at an early date. Some of them have been actively and continuously engaged in Labour politics. A few were so engaged in the past but have ceased to be so recently. Others have been mainly active in spheres outside party politics.

"We do not believe the fight for the ideals we share and for the recovery of our country should be limited only to politicians. It will need the support of men and women in all parts of our society.

"The council will represent a coming together of several *streams*: politicians who recognise that the drift towards extremism in the Labour Party is not compatible with the democratic traditions of the party they joined, and those from outside politics who believe that the country cannot be saved without changing the sterile and rigid framework into which the British political system has increasingly fallen in the past two decades.

"We do not believe in the politics of an inert centre merely representing the lowest common denominator between two extremes. We want more, not less, radical change in our society but with a greater stability of direction.

"Our economy needs a healthy public sector and a healthy private sector without *frequent frontier changes*. We want to eliminate poverty and promote greater equality without stifling enterprise or imposing bureaucracy from the centre. We need the innovating strength of a competitive economy with a fair distribution of rewards.

"We favour competitive public enterprise, co-operative ventures and profit-sharing. There must be more decentralisation of decision-making in industry and government, together with an effective and practical system of democracy at work.

"The *quality of our public* and community services must be improved and they must be made more responsive to people's needs.

"We do not accept that mass *unemployment* is inevitable. A number of countries, mainly those with Social Democratic governments, have managed to combine high employment with low inflation.

"Britain needs to recover its self-confidence and be outward-looking, rather than isolationist, xenophobic or neutralist. We want Britain to play a full and constructive role within the framework of the European Community, NATO, the United Nations and the Commonwealth.

"It is only within such a multilateral framework that we can hope to negotiate international agreements covering arms control and disarmament, and to grapple effectively with the poverty of the Third World.

"We recognise that for those people who have given much of their lives to the Labour Party the choice that lies ahead will be deeply painful. But we believe that the need for a realignment of British politics must now be faced."

The statement was signed "Shirley Williams, Roy Jenkins, William Rodgers, David Owen."

Call to women

MISS AUDREY TURNER, president of the UK Federation of Business and Professional Women, has called on women to learn to cope with new technology, if they were to effectively compete with men for office jobs.

This week's business in Parliament

TODAY

Commons: Forestry Bill, second reading. Increase of Rent Restriction motions.

Lords: Merchant Shipping Bill, third reading. Parliamentary Commissioner (Consular Complains) Bill, third reading. Social Security (Contributions) Bill, committee. Local Authority Grants (Termination) Order. Forgery and Counterfeiting Bill, second reading.

Select Committees: Home Affairs. Subject: Administration of Prisons Department. Witnesses: NACRO. 4.30 pm. Room 8.

TOMORROW

Commons: British Nationality Bill, second reading. Imprisonment (Temporary Provisions) Act (Continuance) Order.

Lords: London Docklands Development Corporation (Area and Constitution) Order. Five Scottish Order Confirmation Bills, third readings. Wildlife and Countryside Bill, committee. Bill of Rights Bill, report.

Select Committees: Procedure (Supply). Subject: Supply procedure. Witness, Mr. K. A. Bradshaw, Clerk Assistant, House of Commons. 4.45 pm. Room 6. Foreign, Overseas Development Sub-committee. Subject: British aid to Zimbabwe. Witnesses: Foreign Office and Overseas Development Administration. 5 pm. Room 15.

WEDNESDAY

Commons: Supply day debate *on Labour motion on increasing* poverty resulting from Government policies. Judgments Enforcement (NI) Orders.

Lords: Short debate on British Spanish Agreement on Gibraltar *and Spain's application for EEC* membership. Short debate on simplification of the English language. Licensing Amendment (Off-Licences) Bill, second reading.

Select Committees: Education. Subject: First scrutiny of 1980/81 Parliamentary Session. Witnesses: Mr. Mark Carlisle, Education Secretary. 10.30 am. Room 6. Scottish. Subject: Housing, capital allocation. Witnesses: Mr. Malcolm Rifkind, Under Secretary for Scotland. 10.30 am. Room 5.

Welsh. Subject: Welsh Language Broadcasting. Witnesses: Independent Broadcasting Authority at 10.30 am, HTV at 4 pm. Room 8.

Industry and Trade. Subject: Continuing costs of Concorde. Witnesses: British Aerospace, British Airways and Rolls-Royce. 10.45 am. Room 16.

Energy. Subject: Industrial energy pricing. Witnesses: Mr. David Howell, Energy Secretary. 10.45 am. Room 18.

Foreign. Subject: Government's observations on fifth report from the Committee on Afghanistan: The Soviet Invasion and its consequences for British foreign policy. 11 am. Room 15.

Social Services. Subject: medical education. Witnesses to be announced. 4.30 pm. Room 21.

THURSDAY

Commons: Debate to take note of reports from Public Accounts Committee in 1979/80.

Lords: Social Security (Contributions) Bill, report and third reading. Disused Burial Grounds (Amendment) Bill, committee. Trees (Replanting and Replacement) Bill, second reading. Pet Animals Act 1951 (Amendment) Bill, second reading. Representation of the People Bill, second reading.

Select Committees: Agriculture. Subject: Animal welfare in poultry, pig and veal calf production. Witnesses: Farm Animal Welfare Co-ordinating Executive. 11 am. Room 16.

FRIDAY

Commons: Private Members' Bills.

More talks on water pay

BY OUR LABOUR STAFF

WATER COUNCIL negotiators will review their position on Wednesday following the water and sewerage workers' rejection of the employer's 7.9 per cent pay offer.

The unions are due to meet on February 3 to plan industrial action. *The employers*, however, will respond positively to any request from the unions for a meeting either before or after that date.

The executive of the General and Municipal Workers' Union, which has the biggest membership among the 32,000 manual workforce, decided at the end of last week to approve industrial action taken in consultation with the other unions.

The outcome of the February 3 meeting will be reported to a meeting of the General and Municipal's executive on February 10.

Strike halts containers

BY OUR LABOUR STAFF

BRITISH RAIL'S container service from Harwich to Holland will be stopped for 24 hours today as part of the National Union of Seamen's dispute over pay.

Townsend Thorensen's services from Dover to Calais and Zeebrugge were halted yesterday by a 12-hour strike by seamen.

The union said yesterday it would study the request by the Government of St. Vincent in the Caribbean to allow Geest ships to bring out bananas from the island and bring in supplies. The Government says the dispute could seriously harm the island which is still recovering from a volcanic eruption and from last year's Hurricane Allen.

The union, which might be prepared to allow the sailing of Geest ships providing the company did not benefit from the trips, released one of the company's vessels following an appeal from the island of St. Lucia.

WEEK'S FINANCIAL DIARY

TODAY

BOARD MEETINGS—
Finals:
Bank Leumi (UK)
Interims:
Cooper Inds.
Hall te
Kakuzi
Mercantile House
Midland Tst.
Stroud Riley Drummond

DIVIDEND & INTEREST PAYMENTS—
Bremar Tst. 1p
Cardiff Property 1p
Gen. Elec. 75cts.
Grindlays Eurofinance NV Fltg.RatsNts. 1988 194.79cts.
Hall (Matthew) 1.974p
Kamunting Tin Drdg. (M.) Berhad 1.12391p
Smith (W. H.) Ord. and A 1.4p. Do B 0.23p
Treasury Ln. 7¾pc 1985-88 3⅞pc
Treasury 7¾pc 2012-15 3⅞pc
Tunnel Hldgs. B 3.5p
Vina Del Mar (City of) 5pc (now 3pc) Stlg.Ln. Assd. 1948 1.5pc

TOMORROW

BOARD MEETINGS
Finals:
Ashdown Inv. Tst.
Eletrams
Eurotherm Intnl.
Glass Glover
Vantage Secs.
Interims:
Dacian
Hambro Tst.
Ishcase
MFI Furniture
Priest (Benjamin)
Stewart Plastics
Zetters

DIVIDEND & INTEREST PAYMENTS—
Camden Var.RateRd. 1983 £7.85625

WEDNESDAY, JANUARY 28

COMPANY MEETINGS—
Gleeson (M. J.) Contractors, Haredon House, London Road, North Cheam, Sutton, Surrey, 12.00
Redman Heenan Intnl., Connaught Rooms, Great Queen Street, Kingsway, WC, 12.00
Reliable Props., Winchester House, 100, Old Broad Street, EC, 12.00

BOARD MEETINGS—
Finals:
Scottish American Inv.
Throgmorton Tst.
Interims:
Amlog. Distilled Prods.
Asscd Dairies
Bevan (D. F.)
Calcutta Elec. Supply (India)
Newmark (Louis)
Scottish English and European Textiles

DIVIDEND & INTEREST PAYMENTS—
Anglo American Asphalt 1.065p
Can. Imp. Bk. of Commerce 45cts.
Can. Pac. 95cts. Do. 7¼pcPfd.A C$36.25. Do. Pf. C$3.2pc Do. Pf 2pc
Dundonian 1.25p
Gresham House Est. 1.4p
Hargreaves Grp. 1.6p
Kansallis-Osake-Pankki FltgRatsCapNts. 1983 US$ 50.4722
Midland Intnl. Fin. Services BV Gtr.Fltg. RateNts. 1993 US$ 50.47
Rothmans Intnl. B 1p
Toronto Dom. Bk. 38cts.

THURSDAY, JANUARY 29

COMPANY MEETINGS—
Assd. Eng., Savoy Hotel, The Strand, WC, 4.00
Bass, Grosvenor House, Park Lane, W, 12.00
Borthwick (Thomas), Butchers Hall, 87, Bartholomew Close, EC, 12.00
Brown (Matthew), Trafalgar Hotel, Five Barred Gate, Samlesbury, 12.00
Causton (Sir Joseph), Causton House, Heaton Street, SE, 11.30
Davenports' Brewery (Birmingham), Chamber of Commerce, 75, Harborne Road, Birmingham, 12.15
Hawkins and Tipson, Winchester House, 100, Old Broad Street, EC, 2.30
Ranks Hovis McDougall, The Dorchester Hotel, W, 12.00
Ransome Hoffmann Pollard, Quaglino's, Bury Street, St. James's, SW, 10.30
Scottish Inv. Tst., 6, Albyn Place, Edinburgh, 11.00
Westward TV, The Studios, Derry's Cross, Plymouth, 11.00
Whessoe, St. Ermin's Hotel, Caxton Street, S.W., 12.00

BOARD MEETINGS—
Finals:
Bullough
Evode Hldgs.
Hill and Smith
Kitchen (Robert Taylor)
Pratt (F.) Eng.
Interims:
Denbyware
Fitch Lovell
Garford Lilley
Lynton
Macarthys Pharmaceuticals
Racal Elecs.
Textured Jersey

DIVIDEND & INTEREST PAYMENTS—
Bank of Nova Scotia 42cts.
Cawdods 1.4p
Consd. Bufelsfontein Mine 5 Scts.
Davenports' Brewery (Birmingham) 2.8p
De Beers Consld. Mines Pf. (Reg.) 20pc Do. Pf. 4pc
Equity and Law Assc. 4p
Gleeson (M. J.) Contractors 1.66p
Grt. Portland Ests. 1p
Griqualand West Diamond Mng. Dutoitspan Mine 24cts.
Harris (Philip) 1.45p
Meyer (Montague L.) 1.75p
Pilkington Bros. 5p
Pedifusion TV Pf. 5.95pc
Reliable Props. 1.25p

FRIDAY, JANUARY 30

COMPANY MEETINGS—
Cooper (Frederick), The Goldthorn Hotel, Penn Road, Wolverhampton, 12.00
Dunbee, Winchester House, 77, London Wall, EC, 12.00
Fashion and Gen. Inv., Winchester House, 100, Old Broad Street, EC, 12.00
Northern Foods, Grange Park Hotel, Willerby, Nr. Hull, 12.30
Sotheby Parke Bernet, 34-35, New Bond Street, W, 3.00
Vaux Breweries, The Seaburn Hotel, Sunderland, 12.00
Williams (John) of Cardiff, The Royal Hotel, St. Mary Street, Cardiff, 12.00

BOARD MEETINGS—
Interims:
Brown (John)
Longton Inc.
Wholesale Fittings

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mort. Cpn. 15¾pcBds. £7.8981
Alpine Soft Drinks 2.412p
Anglo Transvaal Consd. Inv. Ord. and A 42.41481 7p. Do. Ptg.Pf. 24.035053p
Arlington Motor 2.5p
Armitage Shanks 2.5p
Bk. of NSW 4.935p
Barclays Overseas Inv. BV Gtd.Fltg.RateNts. 1990 $258.93
Brascan ACnv. 30cts.
British Car Auction 2.2p
British Home Stores Ln. £4.70
BP 8pcPf. 5.6pc. 9pcPf. 6.3pc
Cent. Mfg. and Trdg. Ln 4pc
Chapman (Balham) 2p
Chase Manhattan Overseas Bkg. Cpn. Fltg.RateNts. 1993 US$ 50.15
Chemring 2.2p
Davies and Newman 3.08p
De Beers Pf. (Br.) 20pc
Decca Ln. 3pc
Doranakande Rubber Ests. 1p
Dow Chem. 45cts.
Eastern Transvaal Cons. Mines 39.587162p
Electra Inv. Tst. 1.1p
Equity Consort Inv. Tst 2.975p
Finance for Industry 13pcLn. 1991 6½pc
Foseco Minsep 8½pcPf. 3.71pc. Do. Ln. 4.49pc
Hartebeestfontein Gold Mng. 282.785446p
Hawkins and Tipson 1p
Hepworth (J.) 6pcPf. 2.1pc. Do 7pcPf. 2.45pc Do 10pcPf. 3.5pc
Hopkinsons 5.25pcPf. 2.625pc
Hudson's Bay 19.73p
Hunslet Do. 3¼pc
Imry Property 3p
Kalamazoo Ln. 4½pc
Kleen-e-ze 1.5p
Laird Grp Db 3½pc
Liverpool 13½pc 1981 6¾pc
Latham (James) 3.35p
Mercantile Inv. Tst. 0.55p
Messina (Transvaal) Devs. 30cts.
Mid. Witwatersrand (Western Areas) 13.007211p
NCR Can. 50cts.
Normand Elec. 1.0927p
Press (William) Ln. 4pc
Property Hldg. Inv. Tst. 1.23p
Radiant Metal Finishing 1p
Ranks Hovis McDougall 2.121p
Renold 2p
River Plate and Gen. Inv. Tst. 2¾pc
Sangers 1.8p
Shanks Db. 3¼pc
Shires Inv. 3p
Temple Bar Inv. Tst. Pf. 2.45pc
Tongaat Corp 10cts.
Trafalgar House 2.85p
Transamerica Cpn. 32cts.
Triefus 0.875p
Utico Pf. 4pc
WGI 3p. 4.9pcPf. 2.45pc
Westbrick Prods. 1.5p
Westpool Inv. Tst. Dbs. 2½. 2¾pc

SATURDAY, JANUARY 31

BOARD MEETINGS—
Final:
Kuala Lumpur Kepong

DIVIDEND & INTEREST PAYMENTS—
Airflow Streamline 10pcPf. 5pc
Allebone Ln. 3.5pc
Alliance Property Db. 4¼pc
Alliance Tst. Db. 2⅞pc
Allied Polymer Ln. 5pc
Assd. Fisheries Ln. 4¼pc
Austrian Eocbds. 1979-84 3pc
Banco De Chile Fltg.RateNts. 1986 US$ 51.79
Beattie (James) 6pcPf. 2.1pc
Bentalls 5½pcPf. 1.925pc
Bishopsgate Tst. 5pcPf. 1.75pc
Bollington Textile Printers 6pcPf. 2.1pc
British Columbia Elec. Perp. Callable Bds. (Br.) 2¾pc. Do. Bds. Sers. AD 1-8-86 2¾pc
British Dredging Ln. 4pc
Brixton Est. Db 3pc
Capital and Natl. Tst. 5pcPf. 1.75pc. Do. Db 2¼pc
Combd. English Stores 7¾pcPf. 2.7125pc
Cock and Watty Ln. 4⅞pc
Croda Food Ingredients 8pcPf. 2.8pc
Derby 13½pc Rd. 1982 6¾pc
Dewhirst (I. J.) 9.75pcPf. 4.875pc
Drayton Comml. Inv. 4pcPf. 1.4pc. Do. Dbs. 1½, 2, 2½pc. Do. Dbs. 2¼, 2¼pc
Duport Dbs. 2¼, 3pc
English and Scottish Investors Dbs. 2, 2½, 3¼pc
Essex Water 3.85pc (fmly. 5½pc) Pf. 1981-1983 1.925pc. Do. 4.2pc (fmly. 6pc) Pf. 1984-86 2.1pc. Do. 3.5pc (fmly. 5pc) Pf. 1980-81 1.75pc. Do. 2.45pc (fmly. 3½pc) Perp. Pf. 1.225pc. Do. 3.5pc (fmly. 5pc) Pf. 1.75pc. Do. 3.15pc (fmly. 4½pc) Pf. 1980-82 1.575pc. Do. 4.025pc (fmly. 5¾pc) Pf. 1986-88 2.0125pc
Fashion and Gen. Inv. 7.6p
Fobel Intnl. Ln. 4pc
Gale Lister Ln. 5pc
Garner Scotblair Ln. 4½pc
Gillett Bros. Discount 3½pcPf. 1.225pc
Gomme 5.4pcPf. 2.7pc
Grant (James) (East) 10¾pcPf. 5.375pc
Guildhall Property Db. 3⅞pc
Hambros Inv. Tst. Db. 3¼pc
Hartwells Grp. 1.789p
House of Fraser 4½pcPf. 1.575pc. Do. 5½pc Pf. 1.925pc. Do. 7½pcPf. 2.625pc. Do. Lns. 3, 4½pc
Intnl. Inv. Tst. Db. 3¼pc
Investing in Success Equities Db. 2⅞pc
Jenks and Cattel 13.85pcPf. 1.925pc. Do. 10pcPf. 5pc
Johnson and Firth Brown Ln. 5pc
Lake and Elliott 6pcPf. 2.1pc
Lewis (John) Properties Dbs. 4½, 5pc
Liberty 6pcPf. 2.1pc. 9.5pcPf. 4.75pc. Do. Db. 3½pc
Linread Ln. 4pc
London and Lomond Inv. Tst. 4¼pcPf. 1.4875pc
M and G High Income Fund Inc. 3.6pc
Macallan-Glenlivet 8¾pcPf. 3.0625pc
McKechnie Bros. 6pcPf. 2.1pc
Marley 6½pcPf. 2.275pc
Mercantile Inv. Tst. Db. 2¼pc
Murray Glendevon Inv. Tst. Db. 5.5pc
Osborn (Samuel) Db. 3¼pc
Owen Owen 6½pcPrf. 2.275pc. Do. Debs. 3¼, 3½pc. Do. Lns. 3½, 4pc
Parker Knoll Db. 4½pc
Pentos Ln. £2.58
Pressac 10.5pcPf. 5.25pc
Reed Intnl. Ln. 2⅞pc
Samuel (H.) 6pcPf. 2.1pc
Shanks Repayment of 7¼pcDb. 1986-91 at £93pc plus accrued int.
Smith and Nephew Assd. 5½pcPf. 1.925pc
Smiths Inds. Dbs. 3¼, 5¾pc. Do. Ln. 3¼pc
Star GB Db. 5pc
TI Raleigh Inds. Db. 3pc
Talbex Ln. 5¼pc
Tanks Cons. Inv. Pf. 4½pc
Tarmac Ln. 4¼pc
Throgmorton Secd. Growth Tst. Db. 3⅞pc
Throgmorton Tst. 7¼pcPf. 2.5375pc. Do. Dbs. 3¼, 3¾pc (1982-87)
Tootal Ln. 3⅞pc
Tor Inv. Tst. 2¼pc
Tyzack (W.) Sons and Turner 7½pcPf. 2.625pc
UDS Ln. 3¼pc
Vaux Dbs. 3¼, 3¾pc
Western Ground Rents D. 1¾pc
Whites (Timothy) Ln. 4pc
Wolseley Hughes 6pcPf. 2.1pc. Do. Dbs. 3¼, 5pc

SUNDAY, FEBRUARY 1

DIVIDEND & INTEREST PAYMENTS—
BBA 5pcPf. 1.75pc
Birmingham 9¼pc Rd. 1979-81 4⅝pc. Do. 7¾pc Rd. 1980-82 3⅞pc
Caledonia Invs. Db. 3pc
Col. Secs. Tst. 5pcPf. 1.75pc
Consd. 4pc 2pc
Debenhams 6½pcPf. 2.275pc. Do. 7pcPf. 2.45pc
Dover Harbour Bd. 4¼pc2ndRd.Db. 1978-1993 2⅛pc
Drayton Consd. Tst. Db. 2¼pc
Dunlop Textiles 6½pcPf. 2.275pc
Elec. and Gen. Inv. Db. 3¾pc
Foreign and Col. Inv. Tst. Dbs. 2½, 3¼pc
Grant Bros. 7½pcPf. 2.625pc
Hawker Siddeley 5½pcPf. 1.925pc
Hertfordshire 6¾pc Rd. 1985-87 3⅜pc
ICI Ln. 2¾pc
Jamaica Public Service Db. 3½pc
Jenners Princes St. Edinburgh 10pcPf. 5pc
Law Deb. Cpn. 5½pcPf. 1.925pc
Lewis (John) 5pcPf. 1.75pc
Manchester 1981 3pc Rd. 1941 1.5pc
Merchants Tst. 4½pcPf. 1.575pc
Met. New River 3pcDb. 1.5pc
Newcastle and Gateshead Water Db. 2½pc
Nicor Inc. 67cts.
NE Lincs. Water Bd. 6¼pc 1982-83 3⅛pc
Outwich Inv. Tst. 5pcPf. 1.75pc. 6pcPf. 2.1pc. 7¾pcPf. 2.7125pc. 10pcPf. 5.53pc. Do. Dbs 2½, 2¾, 3¼pc
Sangers 5½pcPf. 1.925pc. Do. 7½pc 2.625pc
Scottish Utd. Investors 5pcPf. 1.75pc
Slough Ests. 4pcPf. 1.4pc. Do. Dbs. 2¾, 3¼, 3¾pc
Sparrow Hardwick 7pcPf. 2.45pc
Union Intnl. 10pcPf. 3.5pc
U.S. Deb. Cpn. 3.85pcPf. 1.92pc. Do. Dbs. 2, 2¼ (2nd), 2½ (3rd) pc
Uruguay Bds. (Assd.) 3½pc 1¾pc
Whitbread 4½pcPf. 1.575pc. Do. Db. 1⅞pc
Whitbread Inv. Db. 3¼pc
Whiteley (B. S. and W.) Db. 3pc
Witan Inv. Db. 3¾pc
Young and Co's. Brewery 4.2pcPf. 2.1pc. Do. 9pcPf. 4.5pc

INSURANCE

Code for salesmen

BY ERIC SHORT

FOR DECADES, insurance selling was free from any form of central control. Anyone could set up as an insurance broker, anyone could sell insurance for an insurance company. Any profession could advise its clients on insurance needs.

Insurance contracts are complex documents, and have become increasingly involved over the last decade. The consumer, of necessity, has to rely in large measure on what he is told by the person selling the insurance. This requires a high level of expertise and complete integrity on the part of the intermediary.

Yet until recently there were no central standards by which to measure the competence of *people selling* insurance, and no code of conduct to ensure the integrity of the intermediary. The consumer was dependent on the insurance company vetting and training its salesmen, and on insurance brokers belonging to one of the recognised insurance broker professional bodies.

As a system it was wide open to abuse, and it is to the credit of the vast majority of salesmen that the number of reported abuses has been comparatively small.

But this is the age of consumer *protection*, and since the mid-1970s the insurance industry has been trying to impose certain standards on insurance intermediaries—encouraged by the government of the day.

Last week, the British Insurance Association and the three life company associations published their codes of selling practice for intermediaries other than insurance brokers. These are designed to protect the public. Beside the brokers' regulations, however, they look pale and insipid.

The selling codes state that *the salesman* should give advice only on those matters in which he is competent to deal. But no standards of insurance education or experience, on a par with those for insurance brokers, are set out. This is left to the training and insurance companies.

The code urges salesmen to make prior arrangements before making a call to a client and to identify themselves as soon as possible. But the BIA and Life Officers' Association make no recommendations about more positive means of identification for someone calling at the door.

Some sort of identity card, with photograph, ought to be a minimum requirement. Then the consumer would know from the outset that the visit was for the express purpose of selling insurance.

The proposals then state that salesmen should fully explain the contracts and ensure as far as possible that the contracts recommended are suitable for the needs of the individual. Very laudable sentiments, but who is going to judge whether this part of the code has been broken? Brokers have a similar responsibility, but have to defend their actions before their peers in the event of a complaint.

In addition, the insurance broker has to take out adequate professional indemnity insurance so that he can meet the financial *consequences of professional* negligence. The consumer dealing direct with an insurance salesman has to take action against the insurance company to get redress of grievances.

These selling codes have no force in law. But the BIA and LOA state categorically that the failure of member companies to conform to the codes will result in expulsion.

The BIA and LOA are, however, purely trade associations of insurance companies with limited influence over the actions of members. The codes appear to have been drawn up so that no member will take offence. As consumer protection documents they lack a considerable number of teeth.

LABOUR PARTY CONFERENCE

Victory for the Left after switched votes and vitriol

John Hunt, Parliamentary Correspondent, on the Labour Party's special conference at Wembley

EVEN BY Labour Party standards the quantity of paper generated by the one-day constitutional conference at Wembley was prodigious. There was the six-page conference arangements report, an agenda the size of a small paperback and— most essential of all—a chart giving union voting strengths.

On top of this the conference chairman, Mr. Alex Kitson, commended Labour Weekly's "step by step" guide which contained a bewildering array of 30 circles, diamonds and panels connected by arrows and dotted lines.

"Start in the circle on the left and follow the line into the first box," the instructions advised. "Then follow the line into the first diamond. At various points in the chart it may feel as though conference could start going round in circles."

Alarmed by this evidence of democracy at work one delegate sought an assurance that there were enough voting cards in stock to deal with the plethora of choices facing the conference.

It seemed a fitting start to a day where oratory was less important than the voting arithmetic being worked out by trade union leaders in the near-by hotel which some of them had turned into their own version of Tammany Hall.

Mr. Kitson called for a clean debate with "tolerance for each other's point of view" and, with the eyes of the nation trained on them via TV, everyone seemed anxious to be on his or her best behaviour. There were fewer of those bejeaned young militants in evidence and far more of those comfortable, middle-aged men sporting Labour Party ties and wearing mustard-coloured jackets and grey trousers of the type which you find on display in the local Co-op.

In an effort to help the moderates Sir John Boyd of the engineering union made a rather forlorn attempt to change the system of elimination voting under which the conference was to operate. But within minutes the hallowed chant of "card vote" rent the air and his proposition was quickly buried by 5m votes to 1.9m.

Delegates then had to decide whether the leader should be chosen by electoral college at the annual conference (the Left-wingers' choice) or by ballot of every party member (the moderates' proposition).

In an uncharacteristically mild speech in favour of the electoral college, Mr. Eric Heffer, on behalf of the National Executive Committee, called for an outcome which "all can accept as fair and democratic."

Mr. Frank Chapple, the Right-wing leader of the Electricians, then managed to get to the rostrum without the hissing that normally greets him these days at the Labour Party and TUC annual conferences. This restraint did not last long, however; and Mr. Kitson had to come to the rescue when Mr. Chapple was drowned out by the jeers of delegates annoyed at his allegation that the unions were buying votes to wield at the conference.

There was also a rough reception for Mr. Robert Maclennan, MP for Caithness and Sutherland, when he argued that an electoral college would give "Communists, Conservatives and flat-earthers" a say in choosing the Labour leader. Some MPs, he warned, might leave the party if they did not agree with the outcome of the conference.

"Let 'em go then," bawled unsympathetic delegates.

Despite these storm warnings, Dr. David Owen, of the so-called Gang of Three, receivd a quiet hearing although one fellow could not resist a shout of "Who's this film star anyway?" as the debonair figure approached the rostrum.

There was no reaction when, in a passionate speech, he cried that "to allow the bloc vote to choose the Prime Minister of this country is an outrage and a disgrace." His assertion that "I have always supported a radical overhaul of the situation" merely brought some sniggers.

The Left-wingers in the hall soon had an opportunity to show their true opinion of Dr. Owen and the moderates. A great roar of approval went up when Mr. Peter Kelly of Salford West urged them to ignore threats from "individuals with an inflated sense of their own importance."

Throughout the debate a continual stream of vitriol was poured on the Press and this culminated in a sudden eruption of fury against the photographers in the hall. As Mr. Kitson ordered them to leave, delegates gave the slow handclap and shouted "Throw 'em out," while one man helpfully advised the chairman to "Hang 'em."

Throughout this excitement Mr. Neville Sandleson, the most Right-wing of Labour MPs, could be seen hopping up and down at the back of the hall and angrily advising Mr. Kitson to "go back to Moscow."

Not far away from Mr. Sandleson sat Mr. Mick McGahey, leader of the Scottish mineworkers, although it was far from clear how such a prominent member of the Communist Party was given access to a Labour Party conference.

In the second card vote of the day the moderate hope of one-man, one-vote was predictably defeated by 6,283.000 against 431,000 and delegates then moved on to consider by what method the electoral college should operate. There were three main runners in this particular race:

1. The NEC proposal that the Parliamentary Party, the unions and the constituencies should each have 33 per cent of the vote in deciding the leader.
2. The USDAW (shopworkers' union) amendment giving 40 per cent to the unions and 30 per cent each for the Parliamentary Labour Party and the constituencies. Naturally this was the favourite proposal of the Left-wingers.
3. The General and Municipal Workers' Union proposition of 50 per cent for the PLP and 25 per cent each for the constituencies and the unions. This solution was favoured by Mr. Foot in the hope of preventing moderate MPs leaving the party.

Despite the urgiggs of David Basnett of the municipal workers and Tom Jackson, of the Union of Communication Workers, it was soon clear that the USDAW horse was coming up swiftly.

The matter was clinched when Mr. Clive Jenkins of the Association of Scientific, Technical and Managerial Staffs threw his union's weight behind it with the support of people like Jack Boddy of the agricultural workers and Bill Deal of the Fire Brigades Union.

Mr. Deal did not mince words. As far as he was concerned the Gang of Three should get on their bikes and clear off.

Ironically, in the second of three ballots the proposal giving 50 per cent to MPs still had twice the votes of either of the other propositions. But, in the final eliminating ballot, the USDAW amendment shot ahead and romped home by 3,375,000 (54.09 per cent of the vote) against 2,865,000 (45.91 per cent) for Mr. Foot's favourite.

The result seemed to inspire little genuine jubilation. A shout went up from some of the delegates but their attempt to give a standing ovation fell flat when only about a third of those present joined in.

Hiding his disappointment Mr. Foot gave the reaction which has become customary with him these days — a few quips, some historical references, an appeal for party unity and an attack on the heinous Mrs. Thatcher.

He made it clear that he was no Gaitskell and declared that although the "fight, fight and fight again" slogan had been often used in the past, "I don't want to fight anybody in our own party."

As far as he was concerned the verdict had been arrived at democratically and who was he to argue with that? He appealed to the moderates to stay in the party and assured them that they had every right to come back in future and argue their case.

This suggestion conjured up alarming visions of a series of weekend Labour conferences stretching into the distant future, rather like the Council of Trent in the 16th century when prelates sat for 17 years discussing the laws of episcopal residents, the Doctrine of the Sacraments and the Zwinglian Heresy.

All that remained at Wembley was to sing the Red Flag and give three cheers for international socialism. This, however, was too much for Mrs. Shirley Williams, the NEC member of the Gang of Three. By that time she had quietly slipped away from the platform, having remained only long enough to give polite applause to Mr. Foot's speech.

HOW THE VOTING WENT

The conference began by voting on the different principles involved in widening the electoral franchise. The voting went:

- For an electoral college at party conference, 6,283,000:
- Postal electoral college, 434,000:
- Separate electoral college, 11,000:
- Ballot of individual party members, 431,000;
- Miscellaneous proposals, 6,000.

It was therefore agreed that the party should adopt an electoral college which would take place each year at the annual conference.

In the afternoon, delegates went on to decide precisely what kind of electoral college they wanted. In the first ballot the four least popular variations were eliminated. *This left* the National Executive Committee's proposal for dividing up the college equally between the trade unions, local parties and MPs; USDAW's formula which proposed giving the unions 40 per cent of the votes with the local parties and MPs dividing the rest equally between them; and the scheme, backed by Mr. Michael Foot, for giving MPs half the votes and the unions and constituencies 25 per cent each. The voting went:

- 1,757,000 for the NEC proposal:
- 1,813,000 for the USDAW motion:
- 2,685,000 for the formula backed by Mr. Foot.

On the third and final ballot, the USDAW amendment was approved by 3,375,000 votes. The General and Municipal Workers' proposal received 2,865,000.

Result a mixture of confusion and luck

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE KEY elements in delivering the votes to the winning electoral college formula of 30:30:40 were confusion on the part of two Right-dominated unions and clarity on the party of two Left-dominated unions.

The reality behind the mechanics of Saturday's surprising vote does not wholly accord with Mrs. Shirley Williams' claim after the conference that it was decided by a few trade union barons on the day.

Indeed the result was more the result of confusion and luck than of calculation—although the latter was not absent, especially in the inner councils of the National Union of Public Employees.

In chronological order, the key elements were:

- A decision by the executive of the Union of Shop, Distributive and Allied Workers in November to support the 30:30:40 principle.

At its conference in April of last year, the union had voted in favour of the status quo in the leadership elections: it decided to open the issue up after the Labour Party conference in October voted in favour of an electoral college of some sort.

- The Amalgamated Union of Engineering Workers (Engineering section) held a national committee on the issue in December. Their Right-dominated committee decided to favour the formula which would give most power to the Parliamentary Labour Party: on no account would it support a motion which gave MPs less than 51 per cent of the college vote.

The result of these two decisions was that, on the eve of the conference, the Left had an unexpected ally in USDAW, while the centre-Right, which rallied round the 50:25:25 banner held by the General and Municipal Workers' Union, had been deprived of a natural friend in the AUEW. Mr. Terry Duffy, the AUEW president, spent much of last week explaining that he could not vote with the GMWU: in spite of last-minute court appearances, that remained the position.

This constellation of forces allowed the Left to make two tactical moves:

First, the conference delegation of NUPE, meeting on Friday, decided to switch from its support of one third: one third: one third to back the USDAW formula. It did this for two reasons, one principled and one tactical.

The principled reason was that for four years, its conference had instructed its executive to back a leadership electoral college which gaves the maximum say to the unions.

The tactical consideration was its early realisation that USDAW must be imprisoned on 30:30:40—if the last conference vote was a choice between the one third: one third: one third motion and the GMWU motion, the USDAW would, it was assumed, back the GMWU.

Within hours of reaching that decision, NUPE's assumption was proved correct. The USDAW delegation, meeting on Friday night, confirmed its 30:30:40 position but opted for 50:25:25 as a fall-back.

Thus NUPE, followed by the much smaller TV technicians union, ACTT, switched behind USDAW, *as did* the white-collar union, *ASTMS* (which had a similar motion to the shop workers' anyway). These block votes were enough to keep the USDAW motion in until the last conference vote allowing a straight choice between the 50:25:25 and the 30:30:40 positions. Then the last important switch occurred:

The Transport and General Workers' Union, which had also backed the one third: one third: one third position and had voted for it until it fell, was at the end free to change to either of the two last positions.

It was bound to choose the USDAW one: the TGWU executive, like NUPE's was committed to a formula which gave at the most 40 per cent of the college to any section of the party—the GMWU motion was too high. So it went the way of 30:30:40.

The influence of the Left was clearly strong here. Mr. Bernard Dix, assistant general secretary of NUPE, is vice-president of the Left-wing Campaign for Labour Party Democracy while Mr. Alan Sapper, general secretary of the ACTT, is a founder member. But there were no surprising last-minute switches: NUPE's switch came the day before and accorded with their policy, while the TGWU, which did switch on the conference floor, also acted according to policy.

Mr. Clive Jenkins, general secretary of ASTMS and widely credited to be the Left's puppet-master, spent most of the conference taking photographs of delegates. Mr. David Basnett, said to be the ace fixer for the centrists, saw it all slip from him as the engineers remained immovable. The consipracy thoery of history, often so useful, had only limited application at Wembley.

Second choice may play big part in elections

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

LABOUR'S next leadership election could well turn out to be a replay of the kind of tactical wheeler-dealing seen at Wembley, with the final outcome depending on last-minute decisions behind the scenes.

The vote will, like Saturday's, be by eliminating ballot, and the result may therefore have as much to do with delegations' second choices as with their first preferences. And, because of the way the electoral college is composed the successful candidate will have to put together a majority by attracting votes from all three sections of the party.

The amendment to Labour's constitution approved at the end of Saturday's conference means that when *Labour* is in Opposition there will be an election for both the leader and the deputy leader each year at the Party Conference. The elections may not necessarily be contested—indeed, Mr. Michael Foot appears to hope that this year neither he nor his deputy, Mr. Denis Healey, will be opposed.

When Labour is in Government, the rules are slightly different. Then there would be a contest only if a majority of those at conference demanded it on a card vote. And, because it is the unions who control the great majority of the votes at the normal annual conference, it is they who would effectively decide whether the incumbent should be challenged.

Under the formula agreed at the weekend, the unions will also have the largest single voice in the leadership election itself—although they will not have the same dominance they have in the other ballots which take place at the annual conference. The scheme finally approved gives unions 40 per cent of the total votes, with Labour MPs and local parties dividing the rest equally among them.

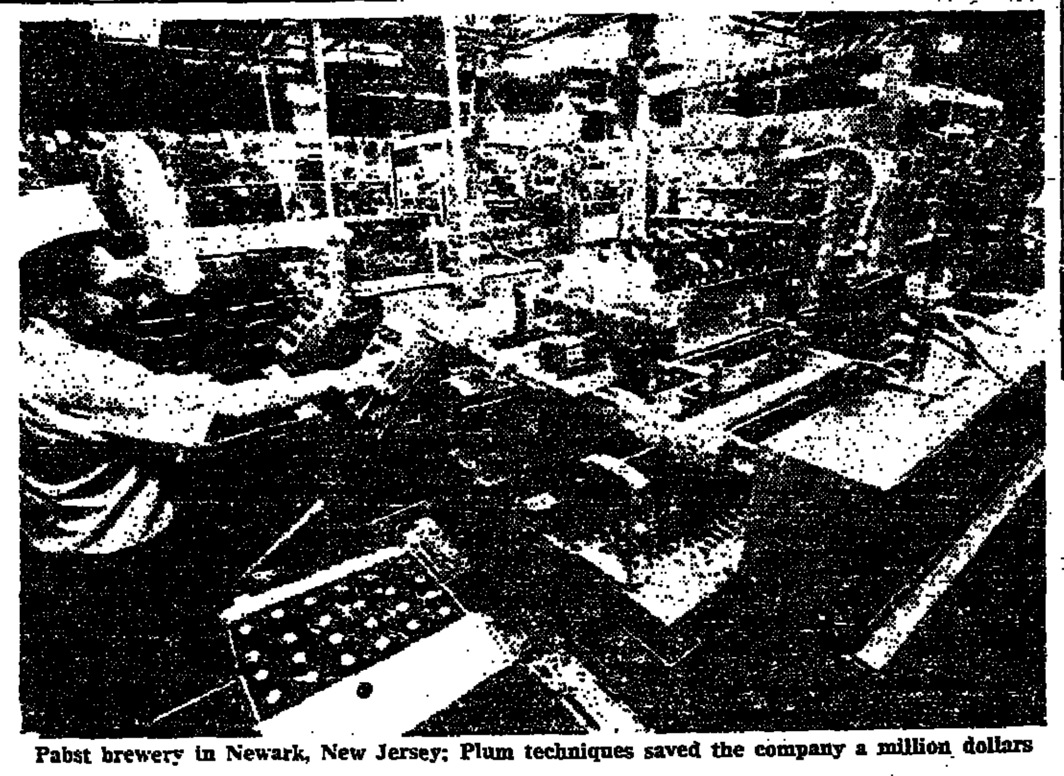
But it is highly unlikely that any one candidate would get the support of all the unions in the first ballot. Instead, the votes from all three sections are likely to be spread among the first ballot.

COMPANY NOTICES

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

How to tune your production line



Pabst brewery in Newark, New Jersey: Plum techniques saved the company a million dollars

EVERY PRODUCTION line, no matter how well designed or maintained, fails from time to time.

It is even possible to estimate statistically how frequently it is likely to fail, and calculations like these form the basis of a technique developed by Metal Box to help in the design of new production lines and improve the performance of existing ones.

It is not a cheap service, but *squeezing an extra 1 per cent* output from a big production line can mean an extra £50,000 a year. On most lines, Metal Box reckons it can squeeze an extra 5 to 10 per cent simply by fine tuning.

Metal Box is, of course, in the packaging business and its technique, called Plum (Production line uprating method) is best applied to production lines involving the filling of *cans and bottles. There is no* reason, however, why it should not be applied to any kind of production line—with the exception perhaps of motor assembly lines.

Mr. John Dutton, head of the Metal Box consultancy division, points out that such lines are merely transfer lines: "The total down time is simply the sum of all the machine failures."

Plum is a computer model of a production line developed by Metal Box over five years. It is based on a mix of the four characteristics of any line—the individual machines, the conveyors, the control logic and the manning.

Weaknesses

According to Metal Box, Plum *can be used to model a proposed* production line to discover its weaknesses before a penny is *spent* on capital equipment.

The savings can be spectacular: in the U.S. where sales of Plum have now passed the US$250,000 mark, the major brewery Pabst says that using Plum saved it US$1m that would have been unnecessarily spent on equipment for a new line.

Mr. Dutton discards the argument that an experienced operator can spot faults in a line just as effectively as a computer. "Modern production lines are too complex and run too quickly. A brewery line, for example, could process up to 2,000 bottles a minute. And the characteristics of a line change in unexpected ways. If a sensor *breaks off, an engineer may unwittingly weld it to a con*venient point some way down the line without telling anybody—*but the whole logic of the* system is altered and the efficiency declines."

Given a well maintained machine and any commercial product, Mr. Dutton says, there will be a fixed rate of failure. Seventy cans in every million running through a canning plant will not be passed by the machines.

Some two thirds of the total time lost, Mr. Dutton goes on, is lost in comparatively small failures, failures too small to go on a report sheet and so are *ignored by management.*

Over the years, Metal Box has built up a file of information on *most common* bottling and can*ning machines. It is able there*fore to feed the Plum program with details of their speed in containers a minute, the failure rate for every million containers and the failure duration. A minor failure is categorised somewhat arbitrarily as less than 10 minutes, a major failure as more than 10 minutes. If the *failure lasts* more than two hours it is described as a breakdown.

Storage

The program also needs details of the conveyors used to move the containers from one machine to another. Given the length, speed and packing density, the program calculates the transit time, the maximum capacity, the normal transit quantity and the storage capacity.

Storage is the key to higher production on the line and a major aim of the Plum model is *to show* best where storage can be inserted.

All that means is the point at which a buffer can be inserted so a failure at one point in the line does not immediately bring the rest of the line to a halt. It can be achieved by inserting a break between successive lots of containers, by providing a *multi-stream line or* by the use of two-way accumulation tables which provide off-line storage.

In a demonstration-run of the Plum model for a hypothetical brewery production line, the "line" showed an efficiency of 84.19 per cent (or 25,256 packs an hour) without storage in the line. With the addition of storage, the efficiency rose to 89.33 per cent, an increase of over 1,500 packs an hour.

The model prints out eerily realistic messages during the 30 minutes or so it takes to simulate one million bottles running through the line: "Filler seamer," it warns, "has a major fail of 0 hrs 25 mins. 19 secs. at 11.31.48."

The program print-out makes it possible to detect which parts of the line cause delays and hold-ups—it shows how a failure in one machine affects the others and the overall efficiency of the line.

Mr. Dutton's division charges about £4,000 to produce a matched model of a production line using Plum; on top of that it charges about £300 for each computer run.

The package handling division of Metal Box, Metamatic, uses Plum in testing the design of production lines it builds for outside clients.

Metal Box is not alone in developing computer models of production lines; Owens of Illinois the glass bottle manufacturer offers a model free to its customers and in the UK, Cadbury Schweppes has its own internal system.

Mr. Dutton claims success in the U.S. for the Metal Box development, however, and plans are already in train to offer it on a bureau basis. At the moment it runs on ICL and IBM machines.

Sales in the present financial year should reach US$800,000 in the U.S., and Mr. Dutton is predicting that Plum will soon be worth a million dollars a year to Metal Box.

ALAN CANE

Electric trucks on four wheels

FIGHTING to maintain its already well established niche *in the highly competitive* electric lift truck field, Clark International has invested more than US$1m in new technology.

One of the first results is a new range of four wheel trucks with capacities of 1,000, 1,200 and 1,500 kg. Lift heights at full capacities are up to 3.9 metres.

Retaining the design and performance characteristics of the company's three-wheel TM range (introduced 18 months ago), the latest generation manifests Clark design innovations *including an induction*-type speed control offering greatly improved performance and service life. One of the improvements is a "tunable" hydraulic system devised to reduce energy consumption.

The trucks in the new range, called the EM Series, are very manoeuvrable and it is claimed that speeds of 11.7 kilometres an hour can be attained in just over five seconds, fully loaded (promising higher productivity ratings overall).

Emphasis is on simple servicing. As with all Clark lift trucks, the EMs incorporate low maintenance design components and parts. *Battery inspection* and changes are completed in minutes, and the removal of a single floor plate allows immediate visual inspection of nearly all the major components, such as drive motors, disc brakes, power steering motor/pump, hydraulic motor/pump, tilt cylinder and sump tank.

Clark seems to have met all the safety aspects and asserts that the new trucks exceed many of the national and international standards. They are *available through Clarklift* dealers. UK inquiries: 02514 20771.

DEBORAH PICKERING

NEWS IN BRIEF

PACKAGING

A FIBREBOARD palletised container designed to carry bulk *liquids has been introduced by* Tri-Wall Containers, High Beech Road, Loughton, Essex (01-508 5856), which claims that its lightweight fibreboard is strong enough for liquids to be carried in cubic cases instead of cylindrical drums.

Known as Trimipak, the cubic container has been developed in association with IMI Marston, makers of the impermeable elastomer liner. It has a capacity of 1,025 litres, as much as five metal drums, so that up to 40 per cent more liquid can be carried in the same space with a 30 per cent saving in floor area occupied. A palletised Trimipak can be moved in one simple fork-lift truck operation; but the *equivalent five drums will re*quire at least three movements, and then only *if the truck has a twin-drum attachment.*

Tri-Wall also claims that four Trimipaks will replace 20 drums balanced precariously on pallets while one Trimipak, having a tare weight of only 38 kg, is less than half as heavy as the five steel drums. While drums occupy the same space when empty as when full, empty Trimipaks are supplied and can be stored in collapsed form.

Drums must have about 5 per cent *of ullage to allow for* expansion of contents, but Trimipaks can be filled 100 per *cent because the elastomer* liner, of high-tensile polyurethane sheet, stretches with any *liquid expansion and provides* for liquids which oxidise or form a "skin." The fittings are claimed to be compatible with standard drum filling equipment and Trimipaks can be filled or emptied from either top or bottom.

PLASTICS

EMBOSSED polypropylene sheet which can be used to make *boxes, files and many kinds of* protective casings is now being marketed by Plastic Products, Whitecliff House, 532 Brighton Road, Purley, Surrey CR2 2UY (01-668 4161).

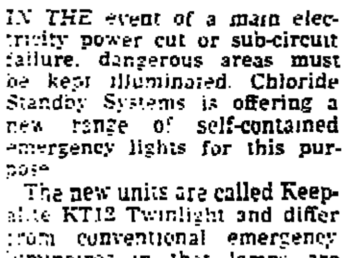
The material which is called Priplak can be screen printed, hot foil blocked, ultrasonically welded and riveted. It can be cut, perforated and creased on standard platen press equipment. Maximum sheet widths are 1,300mm in gauges from 0.5 to 4mm. There are 15 colours.

VENTILATION

SOME WORK carried out by Dr. Harmsem, who until recently was professor of aerodynamics at Berlin University and has been recruited by Papst Motors, has allowed the company to produce a new range of quieter ventilation fans.

Before the introduction of this 6000 range says the company, a state-of-the-art fan delivering 350 cubic metres/hour could be expected to generate a noise level of 53 dB. The new design produces only 45 dB and has a noise frequency spectrum which is said to be far less offensive and to cause less fatigue to those working in the vicinity. More from Papst Motors on 0264 53655.

LIGHTING



IN THE event of a main electricity power cut or sub-circuit failure, dangerous areas must be kept illuminated. Chloride Standby Systems is offering a new range of self-contained emergency lights for this purpose.

The new units are called Keepalite KT12 Twinlight and differ from conventional emergency luminaires in that lamps are powerful tungsten halogen projectors, able to direct a concentrated light beam wherever needed.

They are said to be ideal too for use in premises with high ceilings—the lights can be mounted high up near ceiling level and the projectors aimed to give maximum coverage of the floor area.

More on 0703 30611.

CLEANING

AN industrial vacuum cleaner claimed to be the most powerful of its type available in Britain has been introduced by Northern Industrial Contractors (Power Vac), South Bank, Middlesbrough (0642 468403) for picking up large loads in solid, liquid or slurry form and general cleaning. Its three-stage filtration process is designed to ensure that the exhausted air is 100 per cent pure.

Known as the Power Vac Tornado, it is fitted with a new diesel engine, pump and in*ternal piping designed to in*crease air-flow and permit materials to pass through the *system at speeds of up to* 145 mph. It uses 8-inch or 10-inch hose, with the operator working at up to 800 ft away from the machine.

MATERIALS

DESIGNED TO reduce heat loss, draughts and water ingress around industrial doors, is a range of products from a maker *of draughtproofing and* perimeter sealing, Schlegel (UK) Engineering, Henlow In*dustrial Estate, Henlow Camp,* Bedfordshire (Hitchin 815500).

Guard-Seal Plus is said to *have a unique integral* fin (making it twice as effective as traditional brush materials), while Guard-Seal—suggested for more limited budgets—is without the fin but incorporates the same strip of polypropylene fibre bonded to a non-corrosive polypropylene flexible carrier.

A window draughtproofing material is also available, again with an integral fin, and this has a dual hardness pvc carrier *with patented soft rib on the* top edge which seals against the framework and prevents air infiltrating around or behind the materials. Resistant to weathering and rot, it promises an extremely long life.

ANALYSIS

ON-LINE product analysis and quality control for both wet and dry cement manufacturing processes is being carried out with the assistance of a newly installed Ferranti 700F machine at Tunnel Cement's plant in Clwyd.

An X-ray spectrometer linked directly to the computer is on line 24 hours a day and provides an accurate chemical analysis of the product at various stages of its manufacture. The system provides the analyses in minutes as opposed to hours when using conventional laboratory techniques.

BUILDING

GLASS reinforced cement (GRC) is being used by Anmac as the material for aggregate faced cladding panels for buildings.

The panels are 1.8 metres by 1.2 metres and are 8 mm thick and weigh 20 kg per square metre. A range of fine-aggregate faces is available and apart from being incombustible the panels are claimed to withstand onslaughts by vandals. Trade name for the panels is 'An-o-crete and more information can be obtained from Anmac at Trent Lane, Nottingham (0602 582321).

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current	International Light Show (034888 396) (until Jan. 29)	Olympia
Jan. 27-29	Electronic Business Equipment Exhibition BIZTRONIC (061-923 0406)	Edgbaston Cricket Ground
Jan. 28-31	Business to Business Exhibition (0202 20327)	Met. Exhb. Hall, Brighton
Jan. 31-Feb. 4	British Toy and Hobby Fair (01-707 7127)	Earls Court
Feb. 1-5	International Spring Fair (01-499 7324)	NEC, Birmingham
Feb. 3-5	Home Overseas Exhibition (01-253 4628) Waldorf Hotel, WC2	Waldorf Hotel, WC2
Feb. 10-13	International Business Computing, Word Processing and Information Management Exhibition (01-647 1001)	Cunard Int. Hotel
Feb. 14-22	Birmingham Post/Evening Mail Boat and Caravan Show (021 236 3366)	NEC, Birmingham
Feb. 15-18	International Men's and Boy's Wear Exhibition (021 705 6707)	Olympia
Feb. 18-19	Marketing Services Exhibition (01-680 7525)	West Centre Hotel, London
Feb. 22-24	Cycle Trade Exhibition (01-837 3636)	Ingliston Showgrd., Edinburgh
Feb. 22-26	Gifts Fair (0277 230501)	Metropole Exb. Hall, Brighton

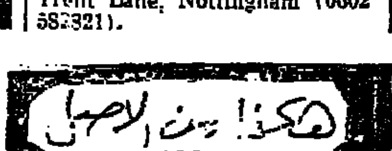
OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Record and Music Publishing Market MIDEM (01-499 2317) (until Jan. 29)	Cannes
Jan. 23-25	International Boat Show (01-486 1951)	Malmo
Feb. 2-5	MECOM '81—2nd Middle East Electronic Communications Show and Conference (021 454 4416)	Bahrain
Feb. 5-7	Italian yarns and fibres show (Telex Florence 572153)	Milan
Feb. 6-9	International Stationery Exhibition (01-439 3934)	Paris
Feb. 11-14	International Trade Fair for Household Appliances Fittings and Components—DOMOTECHNICA (01-409 0956)	Cologne

BUSINESS AND MANAGEMENT CONFERENCES

Jan. 26-27	AMD: Communication and confidence development for managers (07535 56047)	Runnymede Hotel, Egham
Jan. 26-28	Building Business Unit: Microcomputer Workshop for the Construction Industry — Surveyors (01-353 2300)	Slough
Jan. 27	Institute for Fiscal Studies: Taxation of the Family (01-828 7545)	Royal Institution, W1
Jan. 27	European Study Conferences: Direct investment in oil and gas related tax matters (01-727 5120)	Cumberland Hotel, W1
Jan. 27	CCC: Financial problems in divorce—A seminar for accountants and tax advisers (01-222 6362)	Europa Hotel, W1
Jan. 28	CCC: Stock Relief—The new proposals (01-222 6362)	Inter-Continental Hotel, W1
Jan. 29	The Economist: China's needs today—Foreign investment and joint ventures (01-839 7000)	Café Royal, W1
Feb. 2-4	MSS: Managing Computer Staff (0903 34755)	Worthing
Feb. 3-4	Crown Eagle Communications: Law at work—recent legislation and case law (01-636 0617)	Churchill Hotel, W1
Feb. 5	IPS: Automotive Industry (0990 23711)	Hilton Hotel, Stratford
Feb. 5-6	AMD: Product Innovation and Development (07535 56047)	New Berners Hotel, W1
Feb. 9-13	London Graduate School of Business Studies: Service industry marketing programme (01-262 5050)	Regents Park, NW1
Feb. 10	BIM: Computer programming for managers (01-405 3456)	Parker Street, WC2
Feb. 11-13	Management Centre Europe: Effective business speaking (Telex 21917)	Brussels
Feb. 13	Oyez—IBC: Foreign Currency Translation (01-242 2481)	Europa Hotel, W1
Feb. 17	IPA: Consultation on major issues at company level (01-222 0351)	The Queens Nursing Institute, SW1
Feb. 18	The Henley Centre for Forecasting: Forecasts for exchange rates (01-353 9961)	London Press Centre, EC4
Feb. 18	ESC: Efficient treatment of corporate tax losses (057 282 2711)	Holiday Inn, NW3
Feb. 25	FT Conference: Developing the corporate report—European perspectives (01-621 1355)	Brussels
Feb. 25	Gower Conferences: Insurance Law—the new reforms (UK and EEC changes) (01-240 5931)	Cafe Royal, W1
March 4	AGB Conference Services: The Autoquip 81 seminar—Profits in the aftermarket (01-353 3651)	Wembley Conference Centre
March 4-5	City Financial Conference Services: Changing World Insurance Markets—London at Risk? (01-623 3040)	Kensington Palace Hotel, W8

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.



هكذا من الاصل

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BARCLAYS BANK

ANYTHING TO DO WITH MONEY, ASK BARCLAYS FIRST.

Building and Civil Engineering

£7m Henry Boot contracts

AN UNDERGROUND service reservoir and pumping station at Monk Bretton, Barnsley, is one of a number of contracts with a total value of £7m awarded to Henry Boot, Sheffield. The Monk Bretton Contract, worth more than £2.5m, is to be undertaken for the Yorkshire Water Authority (Southern Division). It involves all the permanent and temporary works concerned in the two-year project.

Three National Coal Board contracts together worth £1.4m. are the electrification of the winder houses at Harworth and Thoresby collieries (valued at £600.000 and £350.000 respectively) and the consaruction of a fan house. part of the fan drift and a heapstead building at Denby Grange colliery. This order is worth £450.000.

Other new contracts include civil engineering work worth £350,000 on a waste disposal site at Bradford for the West Yorkshire Metropolitan County Council; a £2m office development in Spring Gardens. Manchester, for Trust Securities Holdings; and a £550,000 warehouse in Glasgow for Revenseft Industrial Estates.

Sponsored housing development

UNDER a £2.5m joint venture by Thamesdown Borough Council and F. Rendell and Sons. a Lovell Construction company. 130 houses are to be built at Swindon. Wiltshire. Work has begun on a green field site at Freshbrook, on the western side of Swindon. where 80 three-bedroom and 50 two-bedroom semi-detached and terraced houses will be built in closes off two main access roads.

Construction will be traditional, with brick and blockwork walls supported on strip or trench fill foundations. Roofs will be pitched and tiled. The architects are F. Rendell and Sons Design Team in collaboration with Lovell Construction Services.

This is the tenth sponsored housing development undertaken by Rendell and Thamesdown Council. House prices will be pegged below market value and buyers will be nominated by the Council, mortgages being provided by a special arrangement through the Nationwide, Abbey National and Bristol and West building societies.

Camm gets awards worth £2m

CONTRACTS totalling about £2m have been won by Camm (B and H), a subsidiary of the Burnett and Hallamshire group. Sheffield. Three large contracts account for about £1.5m, covering work for the Yorkshire Water Authority. The National Coal Board. and Hallamshire Industrial Estates.

The Yorkshire Water Authority contract involves the construction of about five miles of 600mm pipeline and a 100mm cable duct laid in a common trench. A reservoir washout main will also be laid. All chambers and ancillary works will be built by Camm.

For the National Coal Board the company will build a report centre and office block at Kellingley Colliery and a car park with paving. drainage and landscaping. Alterations to existing buildings will also be carried out.

For Hallamshire Industrial Estates a steel-framed warehouse and two-storey office block will be built by Camm at Ecclesfield. The total floor area will be about 20,000 sq ft. A number of smaller contracts totalling nearly £500.000 have also been awarded to Camm. They include the building of a cold store in Sheffield, refurbishing and repairing the abutments of a railway bridge in Derbyshire, and modifications to a pumping station for the Anglian Water Authority.

Reclamation of land

THE PLANNING of about 500 acres of land reclamation and ancillary work at Nigg Bay, on the north side of Cromarty Firth. Scotland, will be carried out by NCL-Halcrow, an association of NCL Consulting Engineers and Sir William Halcrow and Partners, under a contract awarded by the British Gas Corporation.

The reclamation will provide a site for British Gas natural gas liquid fractionating plant and other works related to North Sea gas recovery. Tender documents for the reclamation work are due to be completed early in May. Soil investigation and topographic survey work are to begin by the end of this month.

Old pipes will be replaced

A REFURBISHMENT contract worth about £1.5m at Texaco's Pembroke oil refinery has been awarded to United Kingdom Construction and Engineering, Kirkby, Liverpool, part of the WGI group, by Snamprogetti. It involves removing all redundant piping at Texaco's No. 3 jetty and the installation of new piping together with all electrical, mechanical and instrumentation work.

Work has begun on the fabrication of piping and the contract is due for completion next June. Snamprogetti is the main contractor for the work to Pembroke Cracking Company, a partnership of Texaco and Gulf Oil (Great Britain).

£16m awards to R. M. Douglas

CONTRACTS totalling £16.1m have been awarded to R. M. Douglas Construction. Birmingham. The largest. worth £13.9m, is for building the A467 road from Crumlin to Aberbeeg for Gwent County Council. It involves constructing the 5.3km road, 7.3 metres wide, seven bridges and 19 retaining walls. Work is due to start next month and will take 130 weeks to complete.

The other contracts won by R. M. Douglas include offices worth £744,000 in St. John's Road, Uxbridge, for Percy Bilton: a supermarket and offices worth £620.000 at Chalfont St. Peter for Bishops Food Stores: a coastguard station worth £453.000 at Mumbles, near Swansea, for the Property Services Agency, Department of the Environment; and two advance factory blocks, valued at £391.000, at Team Valley for the English Industrial Estates Corporation.

£2m London contracts

THREE contracts worth more than £2m have been awarded to companies in the Miller Buckley Group. In the largest the Metropolitan Police District has commissioned Miller Buckley SD to refurbish Southwark Police Station, South London, at a cost of £1.4m. Work has begun on this project, which is expected to take 2½ years to complete.

Champion Developments has awarded Miller Buckley a £529.000 contract to build a warehouse and offices at Camberwell, South London. Completion is due next autumn. The British Airports Authority has commissioned Miller Buckley Projects to design and build a warehouse at Heathrow Airport. Worth £250,000. the project is to start this month and should be completed next summer.

Big order from British Gas

DARLINGTON COMPANY, Whessoe Heavy Engineering has won a £4.5m contract from the British Gas Corporation to design and construct on prepared foundations at Avonmouth, Bristol, a 30,000 cubic metres nominal capacity cryogenic storage tank.

Work also includes the supply and installation of two fully submerged in-tank pumps complete with handling systems.

The storage tank is of vertical cylindrical double-wall construction comprising a nine per cent steel inner tank, 46 metres diameter by 30.7 metres high, with a carbon steel outer tank, 50 metres diameter by 33 metres high on the straight shell.

The tank will be capable of storing 21,000 tonnes of LNG at a temperature of minus 168 degrees C, and at a design pressure of two psig.

Construction and welding of the fabricated steel plate has already commenced at site, and the contract is scheduled for completion in September 1983.

Bus station and river wall

A BUS STATION complex in the centre of Middlesbrough is to be completed by John Laing Construction, North East Region, under a £2.4m contract awarded by Cleveland County Council.

With a departure lounge and enclosed boarding platforms, the station will be horseshoe-shaped on two levels. Buses will move round an inner ring and an outer elevated rim over a shopping concourse.

The station will provide an exchange point for inter-city services and link Cleveland and surrounding areas with Middlesbrough town centre shops, including the new Hill Street Centre. Most of the piled foundations and structural engineering work has already been carried out at the 1.3 hectare site between Newport Road, Brentnall Street and Gilkes Street.

The Laing contract involves site completion and the fitting out of 11 shop units and bus company offices.

The structure will have a concrete-encased steel frame and block walls, with tile finishing and glass-reinforced plastic fascia units. Completion is due towards the end of next year.

A one-mile section of the Thames estuary flood wall around Crayford Ness, North Kent, is to be raised and strengthened as part of a £2.1m contract awarded to the civil engineering division of John Laing Construction by the Greater London Council.

The section between Erith Yacht Club and the Dartford Creek Barrier will be raised by more than 1 metre with 170,000 tonnes of clay and strengthened by a Kentish ragstone "toe" of 30,000 tonnes. The contract also includes the reconstruction of an existing drainage sluice from Crayford Marsh. It is due for completion by the autumn of next year.

Office block in Bristol

A CONTRACT worth £5m for the construction of an office block in Old Market Street, Bristol, has been awarded to Sir Robert McAlpine and Sons by M. P. Kent (Property Development).

Work is now starting on a site of 2.5 hectares with the first 3,000 cubic metres of excavation.

The building will be brick-clad and 30 metres high, the horizontal dimensions being 70 metres by 39 metres. It will be air-conditioned and have three passenger lifts. Completion is scheduled for late this year.

Moving the earth

A SUBSIDIARY of London and Northern Group, C. A. Blackwell (Contracts) has been awarded sub-contracts worth over £7m for earthmoving work on two sections of the M25 motorway.

Main contractors are Balfour Beatty Construction for the Yeoveney to Poyle section near Staines, Middlesex, and Costain Civil Engineering for the A13 to A12 section near Brentwood, Essex.

Welding a join in a Dunlop Hypalon-based membrane roof.

Dunlop Semtex orders

ORDERS WORTH £1.5m have been booked by the Contract Service Division of Dunlop Semtex for screeds, floor finishes and roofing in a number of large UK hospitals.

The largest totalling £¼m will be undertaken at Paisley Hospital in Scotland, for the main contractor Melville Dundas and Whitson.

For the Wessex Regional Hospital Authority, Dunlop Semtex is carrying out flooring work at Southampton General Hospital, and re-roofing the whole of Basingstoke Hospital with its Hypalon sheet roofing system.

In the home counties screeding and floor finishes are being undertaken at Orpington Hospital for main contractor Y. J. Lovell, and also at Shroedells Hospital, Watford, which is being built by Laing.

Work is also being done for Taylor Woodrow at the North Tyneside Hospital and for Fairclough at Stafford District Hospital.

IN BRIEF

● Two contracts with a total value of more than £600,000 for building roofs and car-parking at the new Queensgate Centre in Peterborough have been awarded to Rock Asphalte, a subsidiary of the Walter Lawrence group. The first contract, which is now being undertaken, involves roofing the 30,000 square metre shopping centre.

● Portable classrooms for U.S. Air Force bases in Greece and Turkey are to be supplied by Premier Construction, the Blackburn prefrabricated buildings subsidiary of the Brown and Jackson group. Worth more than £200.000, it is Premier's first export order.

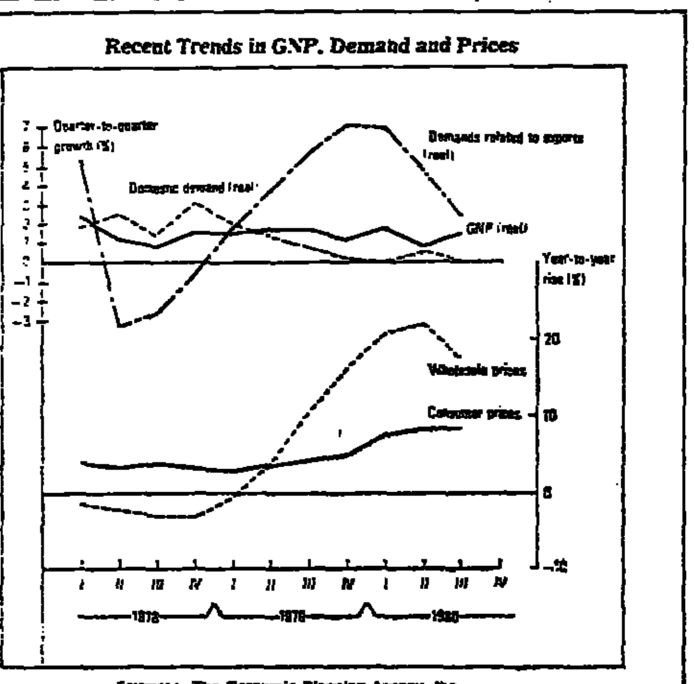
● About 500 metres of single carriageway road is to be built by William T. Wallace and Son, South Gosforth, for the Washington Development Corporation, Tyne and Wear. The contract is worth nearly £151,000.

● Home Information Services' latest publication "Building Survey Checklists" should prove great time savers for architects, surveyors or anyone involved in the construction industry. These 113 page pads promise to save considerable time on a site and reduce the amount of written matter which needs to be carried out during a survey. The cost is £11.50 incl. VAT plus £1.50 p and p from specialist bookshops or the publisher at 1 Cresswell Park, London, SE3 (01-852 6177).

● Willment Brothers has been awarded a £210,960 contract to construct a new warehouse and showroom for Sehlbach and Whiting of Maidenhead.

● An order for a new cutter suction dredger valued at over £580,000, has been placed with IHC Holland by Royal Boskalis Westminster, with delivery scheduled for mid-March this year.

● Manchester City Council has awarded a contract worth over £800,000 to Rowlinson Constructions of Poynton, near Stockport, to build 45 dwellings at Levenshulme. The company has also won a £46,000 contract for roads and sewers on this site.



Housing for the elderly

LOUGHBOROUGH builder William Davis has won two contracts together worth £1.1m from Charnwood Borough Council (Leics.) to provide housing accommodation for old people.

First project is at Burleigh Fields and covers a one and a half acre site at Radmoor Road off Ashby Road, acquired by the company several years ago. This £614,000 job is for the construction of 41 two-storey flats along with accommodation for a warden and deputy warden. Occupation is scheduled for March 1982.

The second scheme is being built at Leicester Road where the £522,947 contract is for the construction of 32 flats and for the conversion of a large house in to a further seven units.

Industry guide

THE 1981 "House's Guide to the Construction Industry," which includes a comprehensive reference source on all aspects of the construction sector, has now been published.

The guide has been enlarged to provide a detailed list of universities and technical colleges offering courses associated with construction, a list of trades unions relevant to the sector and details of specialised services available. Published by House Information Services, 1 Cresswell Park, London SE3, the 8th edition costs £25.

Housing by Finnegan

A FURTHER award in a "stream" contract with Peterborough Development Corporation has been made to J. F. Finnegan, Sheffield, for the construction of 83 timber-framed dwellings.

The contract, worth £1.6m, includes drainage, hardstandings for cars, paths, paved areas, roads and planting areas. It follows a PDC earlier award to Finnegan in this "stream" for 118 dwellings worth £2.2m, bringing the total to date to £3.8m. Completion is due in mid-1982.

Industrial units

CONTRACTS TOTALLING more than £900,000 at Manchester, Wrexham and Skelmersdale have been awarded to Unit Construction Company, a member of the Alfred Booth group. The largest, at Wrexham, covers 11 factory units worth £456,000 for the Welsh Development Agency. Manchester Corporation has awarded Unit a £357,300 contract to improve old flats at Victoria Square. Skelmersdale Development Corporation has ordered 11 workshop units worth £87,687.

Radar tower at airport

A 120 ft high radar tower at London Heathrow Airport is being built under a £1m contract by Fairclough Civil Engineering. The reinforced concrete tower, for the Civil Aviation Authority, is scheduled for completion in December 1981. Consulting engineers are Alan Marshall and Partners. Architects are Clifford Tee and Gale.

● English Industrial Estates announces start of work on two advance factories of the terrace unit type at North Hylton Road, Southwick, Sunderland, Tyne and Wear. A contract worth about £320,000 has been awarded to Fairclough Building of Sedgefield, Co. Durham.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Seeking a storm-proof structure

McDermott, the troubled energy equipment group, is trying to strengthen its foundations. Paul Betts reports

IN A bid to brush up his company's tarnished public image, James Cunningham is sending his senior executives to what he calls "charm classes."

He certainly has due cause. Declining earnings in five consecutive quarters have not helped, nor has its indirect involvement in the ill-fated Three Mile Island nuclear power station. Then there are those 72 law suits which were filed against the company two years ago in connection with a price-fixing and bid-rigging scandal. To cap it all, the company recently came out the loser in a fiercely-fought contest for control of the famous Chicago-based Pullman railway and engineering concern.

Perhaps more than any other major U.S. corporation, McDermott Inc, of which Cunningham is chairman, has suffered a bad press in the last few months. Mention on Wall Street the name of this leader of the offshore oil and gas construction business, and parent of the Babcock and Wilcox power equipment group, and you will often be rewarded with a chuckle.

Yet in many respects, the future holds considerable promise for McDermott. It is cash-rich and, according to Cunningham, is currently in the market for a major acquisition to transform itself into "a total service company to energy." After a slump caused by the combined effects of its natural cycle and a fall-off in the post-1973 oil exploration boom, the offshore construction market is once again picking up. The major international oil companies are intensifying their search and production of offshore fields in both the Gulf of Mexico, McDermott's traditional parish, and elsewhere, particularly in the North Sea.

On the anti-trust litigation arising from the bid-rigging scandal, Cunningham is optimistic that settlements will eventually be reached. As for Three Mile Island, the company has also denied any responsibility in the accident and is apparently confident that this problem too will be resolved in the longer run.

A CASE OF STAGNATING SALES AND PLUMMETING PROFITS

REVENUE FOR FISCAL YEARS ENDING MARCH 31	$	PRE-TAX INCOME FOR FISCAL YEARS ENDING MARCH 31	$m
1971	238m	1971	7.98
1972	322m	1972	10.3
1973	358m	1973	29.5
1974	426m	1974	47.2
1975	743m	1975	90.7
1976	1.1bn	1976	221.7
1977	1.2bn	1977	261.6
1978	1.3bn	1978	240.1
1979	3.1bn	1979	201.4
1980	3.3bn	1980	153.5

NOTE: The sharp jump in revenues after 1978 reflects the Babcock and Wilcox acquisition.

Yet despite the mood of cautious confidence inside the company, McDermott still currently sells on the New York Stock Exchange at a share price of only two and a half to three times earnings. It is not on any of the "buy recommended" lists of the major Wall Street investment houses. "How can you recommend strongly a company which still has a huge anti-trust litigation and the Three Mile Island accident hanging over its head," one Wall Street analyst says.

But Cunningham claims that the company is still "misunderstood." And this, he adds, is as much the fault of the company as of existing prejudices in the Wall Street investment community. "Five years ago or so we were the darlings of the financial community. We were growing at a tremendous rate. We were the white knights who saved Babcock from the unwanted clutches of United Technologies during our successful takeover bid in 1978. Then things changed."

To understand McDermott's problems, it is necessary to look back to the origins of the company. It all began back in 1947 when, in the independent and colourful Louisiana oil industry tradition, three local entrepreneurs joined forces and set up an oil rig construction business.

Like the U.S. oil industry itself, they started in the Mississippi swamps and worked their way offshore. The company grew at an impressive rate, taking its marine construction business all over the world.

By 1970, revenues had reached the $340m level and by 1977, following the impact of the first energy crisis, they had risen to $1.3bn. But the company remained what Cunningham calls "a pretty loose confederation."

It had little contact with the outside world, since it traditionally dealt with a handful of customers — albeit very large ones. Its top people had all risen from the ranks of the Southern U.S. oil business. They tended to be free-wheeling and independently minded people who all did their own thing. Financial controls and top management co-ordination were loose to say the least. The company's first chairman, Thomas McDermott, affectionately described by Cunningham as "a shrewd old pirate," disliked talking to the Press, to the financial community, and when he did he usually "put his foot in it."

By the mid-1970s, McDermott was seriously considering diversification. The marine offshore business has traditionally been cyclical, and the company's stock reflected this by performing erratically, with large up and down swings. To achieve a more stable pattern of future growth, the company needed a major acquisition. That turned out to be Babcock and Wilcox, the New York-based manufacturer of coal-fired and nuclear power plants, for which McDermott paid $750m in 1978.

It seemed a perfect match at the time. But shortly after, the Three Mile Island accident—which subsequently sent the entire U.S. nuclear industry into a state of prolonged coma—prompted the financial community to start questioning the wisdom of the acquisition.

Accident

Cunningham has no regrets about it. During the last few, Babcock's coal equipment business has largely offset the decline in profits from the original offshore construction interests. The Three Mile Island accident continues to cast a shadow over the future of nuclear energy in the U.S., and litigation arising from the accident could ultimately, though not necessarily, affect McDermott. But in the long run Cunningham sees no alternative for the U.S. than to embrace the nuclear option.

But he also claims that Babcock, with its much more formal management structure, has helped McDermott to transform itself from a loose confederation into a company run on more conventional centralised management lines. "It was not easy," he admits. "But basically McDermott needed to be tightened up, we felt, while Babcock needed loosening up. This is what has happened, to the advantage of both sides of the group."

Concurrently, McDermott has had to readjust from the management shake-up which resulted from the anti-trust and bid-rigging scandal. The scandal followed a U.S. Government anti-trust investigation in the offshore construction business which started three years ago. It uncovered years of price-fixing and bid-rigging between McDermott and its main competitor, Brown and Root, the Texas subsidiary of the Halliburton construction and engineering group.

Both McDermott and Brown and Root pleaded "nolo contendere," or no contest, to the charges. Each company was fined $1m, and some of their chief officers were also fined. At the same time, the Securities and Exchange Commission ordered the adoption of stricter auditing standards on the part of McDermott. It all resulted in dramatic changes at the top of the company, including the appointment as chairman of Cunningham, then chief financial and administrative officer, who was not touched by the scandal.

Subsequently, the company's main offshore construction customers, the big oil companies, sued McDermott on anti-trust grounds, although it seems that until the investigation they had been quite happy to entrust a large portion of their business to the New Orleans company. For in terms of technical expertise and performance, McDermott has traditionally had an excellent record. At its huge Morgan City yards in the Mississippi swamps near New Orleans, McDermott has constructed some of the world's largest structures.

McDermott grew from the swamps of Mississippi to be leader of the oil and gas construction business, making such rigs as Shell's Cognac platform, which is taller than the Empire State Building. James Cunningham, chairman, has tightened the company's management

The slowdown in the offshore business over the last few years has forced McDermott to contend with growing competition, including in its traditional patch in the Gulf of Mexico. Though the Morgan City construction yards have continued to be busy, the installation side has had a much tougher time.

"Many operators started moving their equipment from the North Sea, which has accounted for as much as 75 per cent of recent offshore construction business worldwide, to the Gulf. Price cutting has made competition fierce," says Cunningham. Among the emerging competitors to McDermott and Brown and Root, which between them have about 60 per cent or more of the worldwide offshore construction market, are a number of smaller U.S. companies, including among others in the Louisiana area, Raymond International.

Among foreign competitors, the French ETPM group has also established a construction facility at Corpus Christi in Texas. "We have to contend with fierce pricing policies and, in the case of the large foreign groups, with their advantages resulting from Government support," argues a McDermott official at the Morgan City yards.

But the down cycle in the marine construction business now appears to be over. "We are already witnessing a pick up," says Cunningham. Again he refers to the Babcock acquisition. As the marine construction cycle picks up, the coal power manufacturing and nuclear business is now declining. "The cycles of the two sectors seem to go in tandem. They tend to be seven-year cycles: as one drops the other picks up."

In order to reduce even further the cyclical nature of its operations, McDermott has been looking for another major acquisition. Pullman, according to Cunningham, would have been a perfect fit. Although in a shaky financial state, Pullman would have brought McDermott into the synthetic fuel business and strengthened its energy-engineering base through the Pullman Kellogg petrochemical and processing plant manufacturing subsidiary. "Even the railcars made by Pullman made sense. We are in both the coal and steel business," says Cunningham, who is now searching for a substitute.

Giving engineers a boost

BRITISH employers frequently complain that universities do not provide them with the engineering and science graduates they want. At the same time, and just as often, the academic institutions can be heard saying that industry is not sure what sort of training it wants its graduate recruits to have.

The breakdown in communication can be particularly damaging where it affects the graduate who decides to go into production engineering—a vital role, but one which is often underestimated by the universities

A new scheme, backed by the Science Research Council (SRC), was launched last week to try to remedy the situation. The participants are the engineering department at Warwick University, BL and Lucas. It will involve 60 graduates who have joined these two employers in the last six months.

The graduates will combine short residential courses at the university with their training for industry on the shopfloor. The whole course will last for two and a half years.

The short course element will last for up to 16 weeks, with the graduates taking one-week "modular" courses chosen from 26 specialist subject areas. These range from production processes and computing to personnel management, i.e. subjects which will enable the graduate to acquire a knowledge that will be helpful in tackling engineering problems from a wider stance. At the same time, the graduate will bring to the academic study that experience which can only be gained from the practical aspects of industry.

Unease

The approach has much in common with the recommendations a year ago of the Finniston report for the continuing "formation" of the engineer at postgraduate level. But it was planned at least a year before Finniston reported, at the instigation of Sir Geoffrey Allen, chairman of the SRC. He believes that graduates on this scheme will get a much better start to their career development in a company, acquiring technological and management skills in parallel.

An important feature of the scheme is that it will enable companies to pick graduates in science and mathematics as well as engineering—which they often need to do in order to get the required calibre—and then "convert" them into manufacturing engineering.

The very fact that BL and Lucas—both of whom are under intense financial pressure—have decided to go ahead with this scheme indicates there is considerable unease on the part of their engineering training managers about the quality of graduate they are getting from the universities.

The companies' contribution to the scheme will be to pay their graduates at the full rate while they are in residence, and to maintain a high level of liaison with the university's staff for the full period. The result, they hope, will be to secure more effective graduates, whose careers can be developed more fully at an early stage and who are therefore more likely to stay with the company.

It can, of course, be argued that the concept of this particular scheme would be more advantageously applied at the undergraduate level, along the lines that Finniston has recommended. Professor S. K. Bhattacharyya of Warwick, who will direct the scheme, agrees, but at the same time he points out that "Finniston could take 10 years to implement. But industry cannot wait. It needs these sorts of engineers now." As a Lucas graduate trainee who has gone on to combine many academic/industrial projects, he speaks with considerable experience.

Hazel Duffy

LOMBARD

How to destroy jobs by law

BY SAMUEL BRITTAN

"SMALL businessmen know an easy solution to the problem of youth unemployment which does not cost the several hundreds of millions of pounds which the Government is throwing after it. The solution is simply to make it easier for smaller businessmen to hire young people and school leavers. That means being able to pay them a realistic wage, and eliminating the red tape which surrounds employment. This is the best 'job creation scheme' which governments could devise for school leavers."

Pressure group claims are normally to be distrusted. But the above quotation from a publication "Priced Out" by the National Federation of Self Employed and Small Businesses* not only serves the interests of its members, but happens also to be true. The obstacles to paying such realistic wages in this case are the 34 Wages Councils which lay down minimum statutory rates for 2.3m UK workers.

Descendants

Most of the present councils date to the 1920s, although they are the descendants of even earlier bodies set up by the pre-1914 Liberal Government to deal with the sweated labour trades. They cover many miscellaneous trades, but the great majority of workers covered are in hotels, pubs and restaurants, the retail trade, hairdressing and dress-making.

The argument is straightforward. Wages Councils can force up wages, only at the expense of there being fewer employed. How far they have in fact done so is difficult to say, because of a shortage of comparable figures. In retailing, basic rates for adults covered by Wages Councils are a good 10 per cent higher than in retailing generally.

Evidence from smaller businesses suggest that for every 10 per cent by which pay is pushed up employment drops by about 10 per cent. An elasticity of demand for labour of around one seems about right for a small shop, restaurant or pub with a fairly stable turnover, but some discretion over the size of staff.

It is, however, clearly demonstrable that the councils' awards have narrowed differentials between juvenile and adult workers. In retail furnishing the statutory minimum wage for a 17-year-old worker has risen from 49.4 per cent of the highest paid adult in 1970 to 57.8 per cent in 1980. This trend is in line with the union campaign for higher pay for young workers, which began in 1973.

Young workers bring additional cost in training and supervision, which may not be recouped if they subsequently leave. In the federation's words, as young workers become relatively more expensive, an employer will "attempt to retain his older staff and represent his available positions as 'needing experience' when drafting advertisements."

Ethnic minorities have suffered in a similar way. As the federation points out with commendable frankness, despite race relations laws companies have found ways of cutting down on those workers where "language, lack of familiarity with UK institutions or the need for special training" can be said to be a disadvantage. Wages Councils deprive people of the chance of offsetting either genuine disadvantages or plain prejudice, by offering to work for less than the prescribed rates. U.S. minimum wage laws have been described as perfectly designed to create black, teenage unemployment; and UK Wages Councils have many of the same characteristics.

Pay blitz

A total of nearly 160 staff and inspectors were employed in 1979-80 at a cost to public funds of over £2.9m. But the cost to small firms of dealing with their forms, inspections and inquiries must be many times greater. The Department of Employment boasted during the low pay blitz of 1976-77 of the "iron hand in the velvet glove." The thought that a low pay blitz may also be an employment blitz does not occur to it.

Wages Councils are but one example of the thousands of institutional ways in which people are priced out of jobs. Of course the writ of the councils should immediately cease to apply for young people and should be phased out for workers in general. But the industrial relations establishment will fight to the death against this, and will succeed unless there is a most unlikely revolution in the Department of Employment.

*45, Russell Square, London, W.C.1.

The one-word rebuttal of Exxon's copyright claim

WHAT IS worth copying is worth protecting. Last Thursday's decision in *Exxon Corporation v. Exxon Insurance Consultants International Ltd* demonstrates, however, that this rough practical test for deciding whether copyright subsists in a copied work has its limitations. Exxon Corporation was granted an injunction rstraining passing-off by the unassociated UK company, but was refused an injunction against infringement of copyright.

After expanding much thought and labour, the Standard Oil Company of New Jersey substituded the name Exxon Corporation for its world-famous name Esso. In alighting on an invented word that had no intrinsic meaning, the oil conglomerate thought that its brainchild attacted copyright protection. But Mr. Justice Graham (who retires today after 12 years as the senior patent judge in the Chancery Division) ruled that a single word did not qualify as an "original literary work" within the Copyright Act 1956.

There was nothing difficult about establishing the originality of the word "Exxon." Original in this context does not mean the expression of an original or inventive thought. The Copyright Act is concerned not with the originality of ideas but with the expression of ideas in print or in writing.

The claim to originality is no more than a claim by its creator that he can truthfully say: "This is all my own work." Two conscientious people setting out quite separately to compile a street directory would no doubt make the same inquiries at each house. They would produce identical directories. Each directory, for the purposes of copyright, would be an original work.

Nor did the word "literary" present any difficulties to the inventors of "Exxon." While the legislature has not made it easy for the courts, by declining to define the word, it is plain that it is not confined to literary works in the sense in which the phrase is used to describe the novels of Charles Dickens and the writings of Robert Louis Stevenson.

In speaking of such works one thinks of literary style, quality and the finished product of a book. Copyright by contrast, has been held to subsist in the compilation of a football coupon.

A literary work covers work expressed in print or writing irrespective of quality or style. Commonplace material, like directories or lists, put together or arranged with the exercise of something more than negligible labour and skill in making the selection, is entitled to protection against being copied.

The point at which the authors of "Exxon" stumbled was whetherf a single invented word could ever be a "work." Mr. Justice Graham held that the invented word was a typical subject for trade mark protection, but it was not sufficient for the inventors to be given (as they were) an injunction against any passing-off of their goods under the invented word. They wanted the wider protection that copyright gives to authors.

A single invented word can take on meaning only when used with other words in a composition. Nobody would for a moment think that a house-owner, familiar with the works of Edward Lear, could be prevented from calling his house "Chankly Bore" or that a toy manufacturer would not be free to label his toy animals as "Jumblies."

It is only when the invented word becomes part of a literary work, such as a poem or a song, that copyright can arise. It is the whole composition of the poem or song, together with the evocative and inventive names that make the work so memorable, that make it worthy of protection by copyright. An invented word in splendid isolation attracts nothing of the law's protection.

Mr. Justice Graham observed that if the inventors of "Exxon" were right in their contention the Bishop of Exeter, who ecclesiastically may sign his name in the Latin form, "Robert (if that is his own Christian name) Exont." might not continue to do so. Or may it be that the Anglican Church could sue Exxon Corporation for infringement of the copyright in its ecclesiastical title? Possibly neither could sue the other, since the essence of an infringement action is the deliberate act of copying.

The essence of copyright law is that the product of someone's skill or labour shall not be filched by some other person. It is in fact the degree of skill or labour alone which the law seeks to protect. It was said of literary works as long ago as 1900 that "it is a sound principle that a man shall not avail himself of another's skill, labour and expense by copying the written product of it." It is plagiarism without payment that the law frowns upon.

It is often asserted, quite inaccurately, that copyright law is an interference with the freedom of trade. All that copyright seeks to do is to protect property, and is no more an impediment to trade than is the law that makes theft a crime.

Free trade does not require that one man should appropriate, without payment, the fruits of another's labours, whether they are tangible or intangible. The law has not yet found a way of giving full protection to the intangible product of a man's labours. There is no copyright in ideas, although many brilliant ideas have been taken up by others and exploited profitably.

But the law can protect the intangible product at least in certain states, and one of them is when it is expressed in words and print. Once the idea is committed to paper, the law steps in to protect that written product. For practical reasons the protection is limited, but that is no argument for further restricting it. Indeed, there have been attempts in recent years actively to extend the scope of copyright, of which the Exxon case is only the latest example.

The Whitford Committee on Copyright and Design in 1977 was strongly pressed to recommend that any new legislation should express the rights of creators of works in general terms of principle. While the committee was attracted to that approach, it was in practice tied by a number of factors.

Any legislation has to comply with a variety of obligations that this country owes under international conventions dealing with copyright. Over the years there have been significant differences in the application of copyright law to different categories of works. The period of protection is only one small example.

The committee said there should be one comprehensive definition in any new Act, and that matters of principle applicable to all classes of protected works should be declared first, followed by particular exceptions relating to particular classes.

There is as yet no sign of government action on the Whitford report. Perhaps the *Exxon* case may at least serve to stimulate legislative action which is sorely needed for the modern computerised world of word-making.

THE WEEK IN THE COURTS

BY JUSTINIAN

Bookmakers wise to Little Owl

THE LEADING bookmakers were taking no chances with Little Owl, the North's top Gold Cup prospect, after seeing him stroll home in Saturday's Peter Marsh Chase at Haydock. They immediately slashed his odds for the Cheltenham centre-piece from 14-1 to 8-1.

Although it is reasonable to assume that the 1981 Tote Cheltenham Gold Cup, steeplechasing's crown, will have one of its most disappointing post-war fields, the layers seem to be erring on the side of caution with Little Owl.

The Cantab gelding, sent chasing only last season, blotted his copybook somewhat with a fall at the 10th in the Sun Alliance Novices Chase and was beating far from high-ranking opponents on his re-appearance at Doncaster just before Christmas.

Had Tied Cottage not made a rare blunder and fallen at the 11th in the Peter Marsh, we would probably now be in a position to make a serious assessment of Little Owl's Gold Cup prospects.

However, as things stand, it can only be said that the seven-year-old beat a smart handicapper in Straight Jocelyn and remains an exciting prospect—but one as yet unproven in a searching assignment against the best.

In contrast Bright Highway, the favourite for the March 19 renewal of the Cheltenham Gold Cup, is considerably more exposed though also only seven years of age.

It will be fascinating to see how the Michael O'Brien-trained gelding fares on his comeback (expected in Ireland early next month) for his astute handler continues to radiate confidence about Cheltenham with such remarks as "If we can get him there right on the day, he'll win."

Bright Highway is not yet quite right, having pricked a foot after losing a shoe in schooling at Navan.

That setback will probably account for his absence from Saturday's Tote Double Chase at Cheltenham, in which David Gandolfo will be trying to assess Henry Kissinger's ability to get three miles.

Gandofo could well be little the wiser by Saturday evening, as the race appears certain to cut up badly, leaving only a handful of runners and the strong possibility of a slow muddling early pace.

On the same afternoon, Ayr stages the West of Scotland Pattern Novices Chase. This event, in contrast, seems sure to attract a strong field. Those already earmarked for the £10,000 prize include Wayward Lad, Mr. Kidd, Quarry Stone, and Clayside.

RACING
BY DOMINIC WIGAN

LEICESTER

1.00—Weavers Loom***
1.30—Indian Song*
2.00—Sea Captain**
2.30—Salad
3.00—Full Sutton
3.30—Westminster Abbey

TV/Radio

BBC 1

† Indicates programme in black and white

9.00 am For Schools, Colleges. 11.25 You And Me. 11.40-12.05 pm For Schools, Colleges. 12.42 Regional News for England (except London). 12.45 News. 1.00 Pebble Mill At One. 1.45 Mister Men. 2.01 For Schools, Colleges. 3.00 When The Bough Breaks. 3.15 Songs Of Praise from Addlestone, Surrey. 3.53 Regional News for England (except London). 3.55 Play School (As BBC 2 11.00 am). 4.20 Under Cover Elephant. 4.25 Jackanory. 4.40 Playhouse. 5.05 John Craven's Newsround. 5.10 Blue Peter.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.55 Triangle.
7.20 Star Trek.
8.10 Panorama: Profile of Alexander Haig and interview with Shirley Williams.
9.00 News.
9.25 The Monday Film: "The Outside Man," starring Jean-Louis Trintignant, Ann-Margret and Angie Dickinson.
11.05 Film 81.
11.38 News Headlines.
11.40 In The Post.

All Regions as BBC 1 except as follows:

BBC Cymru/Wales—9.52-10.12 am I Ysgolion. 1.45-2.01 pm Pila Pala. 5.55-6.20 Wales Today. 6.55 Heddiw. 7.20-8.10 The Walls Of Jericho. 12.05 am News and Weather for Wales.

Scotland—11.00-11.20 am For Schools. 12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.40 16 Up. 12.05 am News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 12.05 am News and Weatherman for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

10.00 am Focus.
10.25 Working With Young People.
11.00 Play School.
11.25 Write Away.
2.15 pm Let's Go.
2.30 Multi-Racial Britain.
3.00 Embroidery.
3.30 Wainwright's Law.
4.15 Modern Language Teaching.
†5.40 Harold Lloyd in "Hot Water" and "Eastern Westerner."
6.05 Michael Strogoff by Jules Verne.
7.00 Rock Goes to College.
7.40 Mid-evening News.
7.55 Fawlty Towers.
8.30 Grace Kennedy.
9.00 The Hitch-hiker's Guide To The Galaxy.
9.30 Horizon.
10.20 Evans on Newspapers.
10.43 Newsnight.
11.30 Tele-Journal.

LONDON

9.30 am Schools Programmes. 12.00 Button Moon. 12.10 pm Rainbow. 12.30 Your Chance. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 The Riordans. †2.30 Monday Matinee: "Never Let Go," starring Richard Todd, Peter Sellers and Adam Faith. 4.15 Dr. Snuggles. 4.20 The Sooty Show. 4.45 The Book Tower. 5.15 Money-Go-Round.

5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 Wish You Were Here.
7.30 Coronation Street
8.00 Shelley.
8.30 World in Action.
9.00 The Sweeney.
10.00 News.
10.30 The Troubles.
11.55 The Monte Carlo Show.
12.50 am Close: "Sit Up And Listen." with the Rt. Hon. George Thomas, MP.

All IBA Regions as London except at the following times:—

ANGLIA

1.20 pm Anglia News. 2.00 Money-Go-Round. 2.30 Monday Film Matinee: "Quest for Love," starring Joan Collins. 6.00 About Anglia. 6.30 Movie Memories. 11.55 Music at Harewood. 12.25 am Reflection.

ATV

1.20 pm ATV News. 2.00 Best Sellers: The Moneychangers, Part 3. 3.25 The Sounds of . . . Vince Hill. 3.45 Money-Go-Round. 5.15 Gambit. 6.00 ATV Today. 11.55 ATV News. 12.00 Something Different.

BORDER

1.20 pm Border News. 2.30 Monday Matinee: "Fury at Gunsight Pass." 3.45 Money-Go-Round. 5.15 Gambit. 6.00 Lookaround Monday. 6.15 The Sound of . . . featuring Kenneth McKellar. 6.30 The Entertainers (The Wurzels). 11.55 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather. †2.00 The Monday Matinee: "Two Flags West." 3.45 Money-Go-Round. 5.15 Gambit. 6.00 Channel Report. 6.15 Cartoontime. 6.30 The Amazing Years of Cinema. 10.28 Channel Late News. 11.55 News and cht aeWr shrdotashr 11.55 News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.00 Best Sellers: "The Moneychangers"—Part 3. 3.25 The Sound of . . . Vince Hill. 3.45 Money-Go-Round. 5.15 Gambit. 6.00 North Tonight. 6.30 Out of Town. 11.55 Reflections. 12.00 Living and Growing for Adults. 12.30 am North Headlines.

GRANADA

1.20 pm Granada Reports. 2.00 Money-Go-Round. 2.30 Monday Matinee: Donald Houston in "The Bushbaby. 5.15 Gambit. 6.00 Granada Reports. 11.55 Kate Loves a Mystery.

HTV

1.20 pm HTV News. 2.00 Money-Go-Round. 2.30 The Monday Matinee: "The Last of the Secret Agents?" starring Nancy Sinatra. 5.15 Gambit. 6.00 Report West. 10.28 HTV News. 11.55 The Cambridge Debate.

HTV Cymru/Wales—As HTV West except—10.05-10.20 am About Wales. 11.05-11.20 Am Gymru. 12.00-12.10 pm Fialabalam. 4.15-4.20 Paramount Cartoon. 4.45-5.15 Ser. 6.00 Y Dydd. 6.25-7.00 Report Wales. 8.30-9.30 Yr Wythnos.

SCOTTISH

1.20 pm News Headlines and Road and Weather Report. †2.00 The Stars in Black and White: "Stanley and Livingstone," starring Spencer Tracy and Sir Cedric Hardwicke. 3.45 Money-Go-Round. 5.15 Gambit. 6.00 Scotland Today. 6.40 Crime Desk. 7.00 Now You See It. 11.55 Late Call. 12.00 Living and Growing for Adults.

SOUTHERN

1.20 pm Southern News. 2.00 House party. 2.25 "Silver Lode," starring John Payne. 3.45 Money-Go-Round. 5.15 Diff'rent Strokes. 6.00 Day By Day, including Southsport. 11.55 Police Surgeon.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 2.00 Money-Go-Round. †2.30 Monday Matinee: "My Teenage Daughter," starring Anna Neagle and Sylvia Sims. 5.15 Here's Boomer. 6.00 Northern Life. 10.00 North East News. 11.55 A Sentimental Journey.

ULSTER

1.20 pm Lunchtime. 2.30 Monday Matinee: "Grasshopper Island." 3.45 Money-Go-Round. 4.13 Ulster News. 5.15 Gambit. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 11.55 Bedtime.

WESTWARD

1.20 pm Westward News Headlines. †2.00 The Monday Matinee: "Two Flags West," starring Linda Darnell and Joseph Cotten. 3.42 Gus Honeybun's Birthdays. 3.45 Money-Go-Round. 5.15 Gambit. 6.00 Westward Diary. 10.31 Westward Late News. 11.55 Faith for Life. 12.00 West Country Weather and Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 2.00 Money-Go-Round. 2.30 Monday Matinee: "Istanbul Express," starring Gene Barry and Senta Berger. 5.15 Gambit. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 Happy Days.

Radio Wavelengths

1 1053kHz/285m 1089kHz/275m
2 693kHz/433m 909kHz/330m & 88-91vhf stereo
3 1215kHz/247m & 90-92.5vhf stereo
4 200kHz 1500m & 92-95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Steve Wright. 2.32 Dave Lee Travis. 4.32 Peter Powell. 7.00 Stayin' Alive. 8.00 Richard Skinner. 10.02-12.00 John Peel (S).

RADIO 2

5.00 am News Summary. 5.03 Ray Moore (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S). 12.03 pm David Hamilton (S). 2.03 Ed Stewart's Request Show (S). 4.03 Much More Music with David Symonds (S). 6.03 John Dunn (S). 8.02 Folk on 2 (S). 9.02 Humphrey Lyttelton (S). 9.55 Sports Desk. 10.02 The Monday Movie Quiz. 10.30 Star Sound. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Rimsky-Korsakov (S). 10.00 Bath Festival 1980, part 1 (S). 10.55 Interval Reading. 11.00 Bath Festival, part 2. 11.45 Music from America (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.05 Matinee Musicale (S). 3.05 Falla, Ravel and Birtwistle (S). 4.05 New Records (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Music for Two Pianos (S). 7.45 Inscapes and Landscapes. 8.30 Edinburgh International Festival 1980: Mahler's 7th Symphony (S). 10.00 Shostakovich (S). 10.30 Jazz in Britain (S). 11.00 News. 11.05-11.15 Rafael Puyana (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News: 7.30, 8.30 News Headlines. 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 Miles Kington with the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.02 Money Box. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Excursion to an Emperor. 11.50 Poetry, Please! 12.00 News. 12.02 pm You and Yours. 12.27 Quote . . . Unquote (S). 12.55 Weather; Programme News. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.35 Just the Job. 4.45 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather; Programme News. 6.00 News. 6.30 Frank Muir Goes Into . . . Gloom (S). 7.00 News. 7.05 The Archers. 7.20 The News Quiz (S). 7.50 The Monday Play (S). 9.20 Letters from India. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 4.30 London News Desk. 5.35 Music on the Move. 7.03 Black Londoners. 8.00 Question Time from The House of Commons. 9.00-5.00 am Join Radio 2.

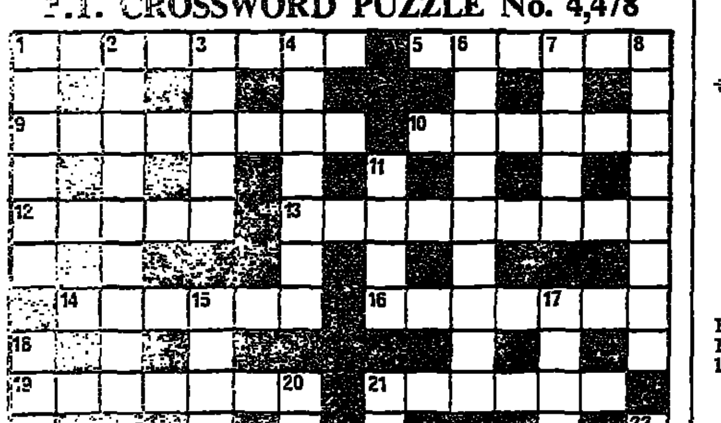
London Broadcasting

5.00 AM: Bob Holness and Douglas Cameron. 10.00 Brian Hayes: Dr. David Owen, MP discusses the Labour Party's special conference held on Saturday. 12.00 LBC Reports. 7.00 pm London Life. 9.00 Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 3.30 LBC Cinema. 4.00 After Eight Sunday (repeat). 5.00 Morning Music.

Capital Radio

6.30 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Graham Dene. 1.00 First Report. 1.10 Graham Dene (continued). 3.00 Roger Scott. 7.00 London Tonight with Sarah Ward. 9.00 Alan Freeman. 11.00 Tony Myatt's Late Show. 2.00 am Night Flight.

F.T. CROSSWORD PUZZLE No. 4,478



ACROSS

1 Man ordered to keep his mouth shut (8)
5 Pain promptly avoiding need for nine (6)
9 Fresh nose (8)
10 Exam in the morning not concerned with rights and wrongs (6)
12 Competitors' gate (5)
13 With which to save up for a night on the tiles (5, 4)
14 Soldier made to rush as (6)
16 Wonderful example of parent wearing remnant (7)
19 Ape sees departure of 25 ac (4, 3)
21 Humid set may need adjusting (6)
23 National emblem dropping off in autumn (5, 4)
25 Smooth quiet road (5)
26 Point to graceful discourtesy (6)
27 Express wrongly directed girl to gallery (8)
28 About to dust? Far from it (6)
29 Salesman has the French knight returning tit for tat (8)

DOWN

1 Run-maker when upset allowed some solid medicine (6)
2 Fearful of a three-point vehicle (9)
3 Mine Henry seems terse (5)
4 Woolly sounding poet (7)
6 Mare owner obliging fair visitor (3, 6)
7 Beginner left in European region (5)
8 Determined chap will be joining National Trust (4, 4)
11 Thing going up when it's coming down? (4)
15 Precious thing to talk to bird (9)
17 Radiation in evidence before reaching the delta (5, 4)
18 Spray article given to Scrooge (8)
20 Not many — about 50 in fact — took 25 ac (4)
21 Serve county with hard water (7)
22 Soldiers' joint show (6)
24 Trojan confessing to being in public relations (5)
25 A difficult one? Is attitude right? (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

ENTERTAINMENT GUIDE

OPERA & BALLET

THEATRES

CINEMAS

ART GALLERIES

CLUBS

THE ARTS

Architecture

Classicism rules O.K.?

by COLIN AMERY

General Franco sent him to gaol seven times, he has been likened to Napoleon and Mohammed Ali because he has a taste for fights, and President Giscard d'Estaing has described him as, "the greatest architect in the world." Ricardo Bofill is his name and he works from a converted cement works in Barcelona. Until February 14 he is the subject of a major exhibition in London at the Architectural Association, 34-36 Bedford Square, London, WC1.

I cannot recommend this exhibition too strongly. It should be compulsory viewing for all the Jeremiahs who moan that modern architecture is dead, dull and depressing. Mr. Bofill and his studio are not just producing drawings of grand and impressive projects; they are actually building in France and Spain the sort of architecture that would never see the light of day in Puritan England. Before you are seduced by the drawings and photographs that are so well displayed in the AA's fine new exhibition room it is important to understand how the Bofill architectural practice works.

It is known always as the *Taller de Arquitectura* which means the "stable" or the "studio" and it operates as a group practice. This means that between 20 and 40 people work together; there are no office hierarchies, and not everyone working for the group is an architect. Poets, musicians, philosophers and film makers belong as equals in the architectural team. This is not as Utopian as it sounds because the firm is extremely informed about business, politics and economics. The group has existed now for 20 years and has grown in influence as it has built more and more buildings.

It was Bofill who coined the phrase "cemetery suburbs" to describe the new towns and housing estates of Europe that grew up in the 1950s and 1960s.

He feels that we have lost the sense of enjoyment of space and that people cannot identify with the structural and technological language of much modern architecture.

Is Bofill just another nostalgia freak building poor pastiches of the past? His early buildings which can be seen in Spain around Barcelona and near Stiges and at Reus are wild and various. They are all highly romantic buildings full of colour and in form so strange that they are totally original in the way that Gaudi was when he began to work in Barcelona. Look at the Red Wall holiday apartments at Alicante that were built at the end of the 1960s. It runs along the rocks like a great wall of China that is honeycombed with flats and terraces and is full of wonderful corners to catch the sun. Xanadu is a seven-storey cluster of apartments built near the water's edge. The form of the block is derived from the outline of the neighbouring huge rocks and the individual flats spiral around a central core like a series of suspended haciendas.

Today the work of the group is very different. There has been a swing to the classical style. Near Paris there are housing schemes that are closer to Versailles in conception than to any of our more socialist ideas of a housing estate. They are intriguingly built out of concrete prefabricated panels that have impressed upon them the classical details, mouldings, pediments and pilasters. It is classicism by the yard and it is hard to see why such large-scale schemes should be preferable to large-scale modernism.

Bofill has an answer. The classical style is real history. People identify with it as part of their European heritage and when it is built in modern materials it still seems to belong to a tradition. When his French schemes are finished it will be interesting to see whether they are really more than rather paranoid stage sets.

In the catalogue to this exhibition this swing to the past is described as an adventure in history. There is no doubt about it, Bofill's work is the most substantial evidence of the change of heart among European architects. The size of the undertakings are enormous and the achievements impressive. Bofill has taken on the whole challenge of modern architecture with all the courage of a bullfighter—there is no one quite like him working here or in the United States. He is a man to watch.

Leonard Burt

Vergie Derman (top centre) as The Bride in 'Les Noces'

Covent Garden

Les Noces by CLEMENT CRISP

Les Noces returned to the Royal Ballet repertory on Friday night in a well-prepared and precise revival, with — as a bonus — the text sung in Russian for the first time. Stravinsky called the piece a "scenic ceremony," and this remains the most exact indication of what Nijinska achieved with her hieratic, pyramidal choreography.

Noces is an inevitable, uncompromising theatre-work, one which engages the quick musical understanding of the Royal artists to the full as they surmount the extreme complexity of the dance's rhythms. On Friday the cast was admirably exact, the women's point work stressing that "elongated silhouette," like saints in a Byzantine mosaic, that Nijinska wanted, and Vergie Derman has the fine-drawn elegence of figure that the Bride demands.

Julian Hosking I found a Groom too lightweight in gesture, too bland in presence, while among the men there is some absence of earthy pull and dynamic force. I recall, after the original Royal performances, that Lydia Sokolova was most impressed by the pounding energy of Kenneth Mason as one of the Groom's companions; on Friday it was Ashley Page who best caught this physical intensity among the men. But *Noces* has ever been the Diaghilev work that the company does most surely, and so it is today.

The inclusion of *A Month in the Country* on the same bill can be explained, perhaps, by the fact of Ashton having dedicated it to Nijinska, for on other counts recent Royal Ballet programming has seemed wilful, or down-right defeatist in juxtaposing ballets which counteract each other and are somehow mismatched.

Month, with Marguerite Porter as Natalya, was given a decent rather dry performance. Michael Coleman is a sensitive actor, but he does not warm Belyayev with that bloom of youthful sexuality which must explain his charm for each woman in the cast, and when our attentions are not fully gripped by the emotional tensions of the piece, there is time to wonder if characters leave the stage merely to change into some fresh caprice of costuming. Kolya suddenly acquiring a hat, then a Cupid's bow, then a jacket; Natalya with hat and shawl and peignoir.

Quaintness of programming policy is responsible for *Troy Game* as opening work of the evening. When Robert North made it for the London Contemporary troupe, it was a jovial tribute to the bounce of that company's strong male contingent. Later it suited the brash energies of the Dance Theatre of Harlem. At Covent Garden its self-indulgent, self-adulatory machismo makes it look like nothing so much as a scene on the beach at Sodom-plage.

Stephen Jefferies, who has a nicely mocking eye, sends the whole thing to perdition, which it merits; *Troy Game* offers nothing but the most blatant and dubious challenges for the men of the Royal Ballet. There is a great need for the technical and artistic felicities that Bournonville requires from dancers and whatever happened to *Liebeslieder Walzer* — a masterpiece too little seen since it came to the Royal Ballet repertory.

Festival Hall

Alpine Symphony

by MAX LOPPERT

An interval of exactly three years was allowed to pass between the previous South Bank performance of Strauss's *Alpensinfonie* (by Previn and the London Symphony) and last Friday's (by Andrew Davis and the London Philharmonic). This seems to me quite as it should be: the work really merits no more than the occasional effort of meeting its inflated performance requirements (huge orchestra with wind and thunder effects and cowbells added to its percussion department; an important organ part; an off-stage brass band based on 12 horns). Strauss intended the last of his symphonic poems to fulfil a rather weightier purpose than an existence as the musical embodiment of an Alpine travelogue; yet, for all the wonderful sounds he invented, and the spurts of exhilaration provided by a work so prodigal in its canvas, can it fairly be claimed that he achieved anything else?

The sounds *are* wonderful. The B flat minor chord, sinuously *unfolded by strings* and low woodwind at beginning and end (with an added flat seventh to lend an icy shimmer) is only the most notable of devices economically picturesque and original. What troubled me in 1978, and troubled me still more on Friday, is the banal quality of the "real" music from which the work is made—motifs with the four-square tread of a nursery jingle hardly permit the lengthy development and recapitulation demanded of them. At about the three-quarter mark, when the delights of elaborately calculated sonorities had assumed their proper place in the experience, I began to feel an intense weariness, a sensation directly related to the appreciation of a vast artistic apparatus out of scale with its essential functions.

Arguably, this was the fault of Friday's performers—in a listening to either of the Kempe recordings, weariness is delayed much longer (if not entirely vanquished even then). As we know from his Glyndebourne appearances, Andrew Davis has proved himself an able and committed interpreter of Strauss scores for which a degree of special pleading is required. His hallmark in them is clarity of sound and thought: the many layers of material were surely balanced, the picturesque details traced with keen discipline. What the reading lacked was what the work most needs—a swelling warmth and depth of orchestral tone (likely to be *fostered neither by the Festival* Hall acoustics nor by the constituted character of a London orchestra) and the art of letting one subordinate section emerge, with seamless, effortless patience, out of another. Mr. Davis drove the music hard; Strauss's requests, in "Through thicket and undergrowth on the wrong path, for regular acceleration" could not be met because, too soon, the music was already moving much too fast.

Theatre Upstairs

Four in a Million

by MICHAEL COVENEY

Outside of the light entertainment business itself, only the most assiduous readers of The Stage would be aware of the crisis in clubland. While topliners like Freddie Starr and Paul Melba command huge fees, the support acts are being cut back to four nights a week and the Palladium is as remote as the moon from a bad night in Leicester.

Director Les Blair has taken four second-rate club performers and put them in a Leicester lodging house last thing at night. As with all improvised shows—and the technique is the same as Mike Leigh's, with a script arrived at about two weeks before opening—the action splits into slabs or fragments and very good scenes are in danger of outstaying their welcome by going on for too long. In this case, though, the black column is much longer than the red. Only in an improvised play would a drunk spilling cornflakes all over the floor while doing the Sinatra/Crosby big number from *High Society* be genuinely funny. The scene builds with little details you can imagine the actor devising as he went along.

Leonard Burt

Tracey Ullman

Les Blair's work to date has been mainly for television, but not even Mike Leigh or Mike Bradwell came up with anything as good—or as unpatronising—as this when they started. The subject is irresistible and the performers exceptional. Three of them come from clubland—Debbie Arnold, a pouting blonde who flicks off a Marilyn Monroe impression every other paragraph a gloriously dreadful Cockney comic, Alan J. Clark, whose telephone conversations with his wife are a slightly censored version of his delightful filth at the police stag night; and William Macbain, a Glaswegian Elvis Presley clone on the run from failure. They are joined by Tracey Ullman, the best new actress to come my way for some time, as the mystical, *paranoid Beverley who performs* Dusty Springfield numbers in half a cutaway dress.

The four acts are strategically placed to break up two long late-night sessions back at the digs. Only the absurd Beverley is resolutely sentimental about her vocation, but the appalling emptiness of these under-achieved careers is hilariously conveyed and given a tantalising second dimension by the acts themselves, which reek of chicken in the basket. Fowl language, in fact, has a field day and there are some good dirty jokes (not just in the acts). What, for instance, would you say resembled Yul Brynner in a rollneck sweater?

'Hampstead to take over Shaw Theatre'

A prediction that the Shaw Theatre in the Euston Road will be taken over by the Hampstead Theatre was made by Mr. Michael Croft, the director of the National Youth Theatre, which currently leases the Shaw from Camden Council. The NYT recently had its £15,000 subsidy from the Arts Council removed.

Mr. Croft said the National Youth Theatre would continue its work, even if it meant performing in the streets.

Mr. Croft said that Camden and the Arts Council were working together to switch the Shaw into the orbit of the Hampstead Theatre.

Meanwhile, Hampstead Theatre is launching an appeal to find at least one hundred people or companies prepared to covenant at least £50 a year for a minimum of four years. This additional income is vital to the theatre.

The theatre's policy of presenting new plays is not conducive to commercial sponsorship. Hampstead Theatre is therefore seeking not one but one hundred sponsors each of whom will covenant at least £50 per annum.

The scheme has been designed to take advantage of changes made by the Government in the last Budget, which offers benefits not only to Hampstead Theatre but also to covenantors.

Details of the covenant scheme and information on the theatre from the theatre on 722 9224.

Olivier

Man and Superman

Shaw declared in his dedicatory epistle of this play to A. B. Walkley that he had always wanted a pit of philosophers in his theatre and that *Man and Superman* was a play for such a pit. In the original 1905 production, the actor playing John Tanner (a derivation from Don Juan Tenorio) was made up to resemble the author. Through this character, Shaw pours all his views on marriage, the Life Force, the need for a race of Supermen after the overthrow of the aristocracy, the inevitability of Hell and the dullness of Heaven.

All of this emerges clearly if you take the play with its rarely performed "Don Juan" episode, the epistle and the entertaining appendix of Tanner's Revolutionist's Handbook. The problem facing the ambitious director wishing to do the complete play — in this case Christopher Morahan — is how to bind the third act into the conventional whole. For Tanner and his chauffeur, the engineering New Man from the Polytechnic, take off for the Sierra Nevada at the first indication (to Tanner) that Ann Whitefield has him marked down for a husband. There they are captured by a band of brigands led by the Jewish ex-waiter Mendoza.

With a rumble from Mozart's *Don Giovanni*, a cloud of smoke and a half-hearted light show, the orange mountain vista is transformed into Hell. Tanner becomes Don Juan, Mendoza the Devil and Ann the much-abused Dona Ana. Myself, I *find this episode unreadable* and, on the stage, just about intolerable. I did not quite catch the Devil's warning about the danger of selective breeding, but I did catch the full flood of the rest of the discussion, or rather static debate. It is like having to sit through a year of Bernard Levin columns, and I am afraid that Daniel Massey, who until the first interval has given a polished display of rhetorical posturing deliciously undercut by the plot development, simply sinks under the weight of it. The Life Force arguments I find incomprehensible, the passage about eugenics repulsive.

There is no dramatic action in Hell apart from the decorative business of Michael Bryant's unbeatable, smiling Devil pouring out water and changing it to wine. Apart from the point about Heaven being the rightful place for snobbish, moralistic English Philistines, the only element of the play to be reinforced is that of man being the quarry of woman in the marriage stakes.

The rest of the show succeeds as a demonstration of how a proscenium-style production can work on the Olivier with the right design. Ralph Koltai gives us a grey library wall flecked with painted books that disappears to reveal a concave tin foil setting for Richmond, the mountains and the final act in Granada. Punch-drunk after Hell, I revived slightly as the *play picks up where it left off* at the first interval in a series of marvellous scenes: best of these is the one where Anne's mother (Antonia Pemberton) munches chocolates and tells a despairing Tanner that her daughter deserves to meet her match and good riddance. Ann herself leans on a chair and swings her right leg slowly and deviously as she rejects for the last time the absurd protestations of love from Octavius (Timothy Davies).

About Penelope Wilton's performance there are no reservations. You know from the start she is out to get her man, having made up her mind in childhood. Miss Wilton plays gloriously, but without ostentation, to the house, timing her reactions and cunningly ingenuous facial ploys to perfection. In fact she confirms what was suggested when Mr. Massey joined her in *The Philanderer* some time ago: this is an ideal Shavian double act.

The parallel secret liaison of Violet Ramsden and the American Hector Malone is brightly played by Anna Carteret and Greg Hicks, and James Carter does not miss a trick as a brown-voiced Henry Straker, the intellectual's ideal worker who occupies the driving seat in more ways than one.

MICHAEL COVENEY

Purcell Room

Cummings Trio

by ANDREW CLEMENTS

The string trio led by Diana Cummings, with the violist Luciano Iorio and the cellist Rohan de Saram gives robust, exhilarating performances, bows digging deeply into strings and music always kept on the move. The Trio began its Purcell Room recital on Friday with Beethoven's string trio Op. 3 in E flat, a work sharing its home key and its sequence of six movements with Mozart's masterpiece for string trio the Divertimento K. 563 and given a performance here that suggested the players held it on a par with Mozart, with weight added to the minuets and addressing the Adagio with great solemnity.

Between the Beethoven and Brahms's C minor piano quartet, in which it was joined by the pianist Anthony Goldstone, the Cummings Trio gave the first London performance of Douglas Young's *Fantômes*, written last year for the group. In a single movement lasting just over ten minutes, the work runs through the gamut of effects on the three instruments, treating them sometimes as a single cohesive body, sometimes as three entirely independent players.

This contrast lies at the basis of the work. There is a short quiet chorale that seems, on a single scoreless hearing, to present the harmonic bones of the piece, and between its two presentations there is a glittering imitative section for the three instruments playing in harmonics and glissandi. A violent antagonistic free for all is broken briefly by a muted "misterioso" presto *à la* Berg or Bartok and a resumption of the strenuous argument peters out into a virtuosic cadenza for the cello alone. Young sustains the plan well; the string-trio literature is not so full of good things that there is no room for rewarding new works. *Fantômes* is immediately attractive, witty and not too long. It deserves further attention from both string trios and audiences.

Music workshops and lectures at the Round House

A series of pre-concert lectures and workshops, designed to "entertain, provoke and enlighten" has been arranged by the School of Adult and Social Studies of Goldsmiths' College, University of London, in conjunction with the Sunday evening Contemporary Music Networks concerts at the Round House.

The lectures and workshops begin at 6 pm and the performances at 7.30 pm.

The series continues on February 1 with a workshop with Electric Phoenix. The following Sunday jazz critic and broadcaster Brian Priestley will give a background to the work of saxist Don Rendell whose *Earth Music* will be performed that night.

On February 15 there will be a workshop with Trio Exvoco and on March 1 Oliver Knussen and Keith Potter introduce the music to be played that evening which includes Knussen's composition *Coursing*.

On March 15 Neil Sorrell will talk about the styles and instruments of Japanese traditional music prior to a concert by the Delphonic Ensemble of Japan.

SOCCER by TREVOR BAILEY

Foresight in the Third Division

THE ALL-LONDON meeting between Charlton Athletic and Fulham attracted a crowd of more than 17,000, easily the largest to assemble at Craven Cottage this season, and provided excellent entertainment which was a credit to both teams.

The visitors won 2-1 and it was easy to understand why they are comfortably top of the Third Division, near certainties for promotion and have only lost one of their last 23 games —even if, on this occasion, Fulham did enough to have earned a replay which was denied them through the brilliance of Johns in goal.

Watching Charlton for the first time since last year, when they were struggling so inepitly and unconvincingly that relegation became inevitable, was a revelation.

Mike Bailey, their manager, who used to be such a hard tenacious, yet always thoughtful half-back in his playing days, has achieved a remarkable transformation in a very short time.

His players now have a belief in themselves, are capitalising on their individual strengths within the confines of the side —like providing Hales with the ball in positions he can exploit —and playing good direct football.

Their display on Saturday was well up to Second Division standard and if they had not been penalised by a heavy and untrustworthy pitch which made accurate ground passes something of a lottery, they would probably have won more easily.

After the match, Bailey was unwilling to single out individual players, because it had been essentially a team performance in which they employed a fairly standard 4-4-2 formation.

It was, however, pleasing to see the way Shaw was always keen to advance from the middle of the back on to the offensive which enabled him to score the first goal, the thoughtful probing of the lanky Tydeman, and the double thrust of their aggressive spearhead Robinson, with Hales who showed his worth as an executioner by a fine decider.

The outlook for Charlton in 1981 is bright. On the evidence of this game, they will be back in the Second Division, but will probably need three new players if they want to make a serious impression there. With the aid of a helpful draw in the Cup, they could be in line for a profitable and exciting run. The club could certainly do with the extra cash, and their home gates, in spite of their success, have dropped in the Third Division, as has their share from the away fixtures.

In these circumstances the plans of their directors to turn the Valley, the largest club ground in the land, into the first all-seater stadium, in England are ambitious and imaginative.

The intention is that the 8,000 seats which are to be installed behind the two goals will be used to accommodate those followers who at present pay the ground admission charge of £1.70 and will be available to the public for probably as little as £2.

The idea is that this will both increase the comfort and reduce the hooliganism—admirable intentions but there could be a snag. I suspect that a considerable number of Charlton followers prefer standing on the terraces to sitting in the stand, because they like the mateyness and the atmosphere.

This suspicion was confirmed by the fans I spoke to before the match, quite apart from the group who were singing loudly, obscenely and out of tune about what the directors could do with those new seats.

The immediate outlook for Fulham is less happy. There will be no cup run and they certainly have no chance of making an immediate return to the Second Division. Nevertheless, Mr. Ernest Clay, their chairman, has just announced that they intend to build a new stand at the Bishops Park end which would include flats and a leisure centre. The money produced from the flats will finance the scheme.

The weakness is that, until Fulham are back at least in the Second Division, they have more than sufficient accommodation. This could be diverted if another club was interested in sharing, like Crystal Palace or Wimbledon.

Fulham should not be near the foot of the Third Division, as they possess some good players including Davies, a most impressive lead forward who scored a splendid goal and had two fine shots brilliantly saved. But they lack confidence and consequently over-use the long high ball up front and attempt to overcome their lack of smoothness by physical effort.

It is to be hoped that Malcolm MacDonald, their new manager, will be able to solve these problems in the next few months and his team become serious contenders for promotion next season.

TENNIS BY JOHN BARRETT

Illness eliminates Indoor seeds

THE U.S. Pro Indoor Championships, celebrating its 20th birthday this week in Philadelphia's giant Spectrum Stadium, normally boasts the strongest field of any U.S. tournament apart from the Open, is much depleted this year.

The present American influenza epidemic has removed John McEnroe, the favourite, and Gene Mayer, the third seed, and a stomach infection at last week's tournament in Montreal has also affected several of the players including Buster Mottram, the British No. 1.

It is indicative of Mottram's increasing sense of responsibility that he intends to withdraw from next week's tournament in Richmond, Virginia, so that he can join Britain's Kings Cup team at Huddersfield on February 4 in their play-off match that will decide whether they will be relegated from the championship group.

Last year, in similar circumstances, Mottram helped us to avoid relegation by turning out at the last moment against France.

Mottram's opponent here is the exciting 21-year-old Frenchman, Yannick Noah. They last met in the 1978 Davis Cup tie in Paris, when the novice Noah could win only one set. Since then, this amiable young giant has fulfilled some of the promise that Arthur Ashe had spotted when he first saw him as a 10-year-old on a goodwill trip to the Cameroons.

Noah, No. 14 seed this week, now stands at No. 23 on the computer rankings—21 places above Mottram. The winner will play the left-handed American Terry Moor, who has a bye, and then probably the new champion of Australia, Brian Teacher of Beverley Hills, who is seeded sixth.

The presence of three other Frenchmen—Christophe Roger-Vasselin (computer ranking 48), Pascal Portes (61), and Thierry Tulasne (113), the man who beat the holder Vitas Gerulaitis in the second round in Rome last year—plus two national coaches bears testimony to the continuing success of the French training and development programme.

British men's tennis is at its lowest ebb since the war. The next Britons on the ranking list are Jonathan Smith at 130, Mark Cox (who no longer competes seriously) at 140, John Feaver at 162, and Robin Drysdale at 185. At such a time this solid achievement across the Channel, built upon a record tennis boom in France, should give the UK pause for thought.

Until the Lawn Tennis Association takes positive action to lead the British game out of the doldrums and, in particularly, backs private efforts to develop modern indoor centres, national standards will not rise from their present mediocrity.

Further sad evidence of faded promise was the rapid elimination of John Lloyd from the first round of the qualifying competition. His attempted come-back was ended abruptly by Jay Lapidus, a Princeton left-hander, who is the top-ranked American in the under-21 category. Lapidus won a bloodless encounter 6—3, 6—2 in less than an hour, and went on to secure a place in the main draw and a match against 21-year-old Portes.

A comparison of French and U.S. standards will point the way to what has still to be achieved in Britain.

Defending champion Jimmy Connors, who has won this title four times in the last five years, is at the top of the newly-made draw with fellow American Harold Solomon cast as his likely opponent in next Sunday's final, worth $45,000 to the winner.

Solomon is in the process of trying to add a net attack to his already competent back-court game, and this fastish Supreme carpet surface will offer him plenty of scope for attack. He is expected to face Roscoe Tanner in the last eight and Brian Gottfried in the semi-finals. Conners' semi-final opponent, according to the seeding, should be Gerulaitis.

This week's event, besides being a $297,500 (nearly £123,800) tournament in the Volvo Grand Prix competition, is also part of the WCT World Series of Tennis. This has its climax in the eight-man play-offs in Dallas in the first week of May.

Lloyds opens in Aberdeen

THE MOST northern branch of the Lloyds Bank Group network opens in Aberdeen today. It is the third in Scotland; the Glasgow branch opened last year and Edinburgh in 1978.

£2.87m for cancer research this year

GRANTS totalling £2.87m have been awarded by the Cancer Research Campaign to 15 universities and hospitals in support of 131 research projects this year. The organisation, dependent on donations and legacies for its income, is now spending more than £10m on 500 programmes in the UK.

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Taxes and the North Sea

SOME OF the major oil companies have suggested that the Government should postpone its *proposed supplementary tax on* North Sea oil, and impose instead a once-for-all levy yielding the same £1bn of revenue, so that a more considered review of the tax structure could take place. This is unorthodox; but there is a case for giving it serious attention. Repeated tinkering, in the quest first for *maximum production and more* recently for maximum revenue, has left a thoroughly messy and illogical structure. It needs redesign, if not necessarily in a way which the oil companies would welcome.

Marginal fields

The Petroleum Revenue Tax was originally designed with a number of aims, with revenue rather far down the list. The *first was to encourage the* exploration of the North Sea, which appeared a highly speculative proposition when the first rigs were towed out. In recognition of the risks involved, the tax was structured to allow producers to recover their investment before they became liable for tax. A second aim was to *encourage the development of* marginal as well as the most promising fields, and a third was to encourage spending on infrastructure in Scotland, quite largely for political reasons.

The Treasury has subsequently tried to secure maximal revenue in the long term by imposing an extremely severe tax regime once all these other ends have been served, but that is not how it appears from the *point of view of an operating* oil company. The high marginal rates of tax, coupled with unprecedentedly generous offsets for capital spending, is simply the characteristic British combination of punitive rates and enormous loopholes.

A field can produce a small flow of highly taxed profit, or several times the sum in virtualy free capital, according to choice. If the oil companies are *simply rational, this regime* must lead to a great deal of marginal investment which would *never be contemplated if* the producers were risking their own funds; by common observation, it also results in a proportion of sheer experiment and waste.

This was never a good formula to encourage efficient development; and by now the *tax incentives run counter to* official depletion policy, which seems to be to check the increase of production above self-sufficiency. The system has other damaging results. The Treasury is essentially a deferred equity-holder in the North Sea, which means that revenue flows are not only delayed but *unpredictable, highly vulnerable* to changes in the real oil price and indeed in the exchange rate, which have a geared-up effect on profitability.

Further, the fact that the impact of oil production on the import balance long predates the corresponding shift in the fiscal balance has a *good deal* to do with the grave difficulties of macro-economic *management at present — the excessive rise in interest rates and sterling, and the damage to the non-oil economy.* Under this regime, the development of the North Sea has deprived the rest of the economy of both markets and capital.

Extra cash

The supplementary oil tax, which effectively raises the royalty element in revenue, is designed to overcome some of these deficiencies, and is clearly a step in the right *direction, producing a more* reliable flow of revenue; and the Government is also *contemplating a reduction in the* tax allowances against investment.

Given time, however, a more radical approach could be explored: a really drastic reduction in investment incentives, accompanied by a *cut* in marginal rates: If this approach discouraged a significant amount of questionable high-cost investment, which seems likely, then extra cash would be available both for revenue and for the producers, and revenue would be brought for*ward in time and made less* volatile. Production capacity would grow a little more *slowly, but that is in line with* policy. It is impossible to maximise both revenue and investment, but it is possible to improve both revenue and economic efficiency.

China after the Gang

The sentencing of Madame Mao Tse-tung in Peking yesterday which brought to an end the trial of the *Gang of Four* can without exaggeration be said to mark a watershed in China's *recent history. Here was the* former wife of China's foremost revolutionary leader, who founded the country's Communist Party, carried it to victory and then presided over the country for nearly 30 years, condemned on charges that included attempting to overthrow the state.

Violence

Not without justification she pleaded during *her trial that* she had acted on Mao's orders. Throughout the tumultuous 10 years of the Cultural Revolution she was at the centre of administration. The senseless violence of that epoch, and the almost complete destruction of the country's education system have left bitter memories. Many *of those who suffered* would have liked to have seen Jiang Qing executed. The political leadership, exercising their influence on the court, finally decided on a suspended death sentence. It was the right judgment in that to have shot Madame Mao would have only prolonged the vindictive *squabbling of the past and* opened up fresh wounds amongst those radicals who still *support her cause.* She is more likely to suffer oblivion in prison than as a martyr.

The new Chinese leadership of Vice-Chairman Den Xiaoping should be given credit for deciding to hold a trial at all. This attempt at legality marks a fresh departure for a Communist Party which has traditionally despatched its opponents unceremoniously behind closed doors. But the proceedings were a mockery of justice as it is known in the west. This was a show trial in the sense that the verdict was known in advance, and Press, radio and the state apparatus rallied to denounce *Madame Mao both before and* during the trial.

Sadly there is now a risk of *more show trials which could* only further diminish the credibility of China's new legal system.

The court hearings brought into the open how deep the personal rivalries and ideological differences continue to be in China. By invoking Mao's authority in her defence, Jiang Qing forced the new leadership into a more hasty revaluation of *Maoist doctrine—and hence of* the whole structure on which Communism has been based in China*—than it had been pre*pared for. Chairman Hua Quofeng and Deng seemed to have struck up some compromise a year ago when Hua stepped down from the Premiership.

This now can be seen to have been too fragile to last. Disagreements over the handling of the trial, over the involvement of other radical leaders in the Cultural Revolution and over the role of Mao have helped *precipitate a fresh power* struggle which now appears to have led to Hua's demotion from the post of Chairman.

Deng seems to have consolidated his hold over the leadership. But this control has yet to be extended over the middle and lower ranks of the party where millions of officials gained office during the Cultural Revolution and now stand opposed to further purges. The rapid *changes of line have left a party* that is demoralised and lethargic. Added to this uncertainty is that disagreements continue to exist between the party and the army and that a number of key ministries either lack ministers or the ministers are in disgrace.

Leadership

The end of the trial and the apparent resolution of the con*flict between Hua and Deng* does however offer a new starting point. It is clear that over *the last year the leadership has* been preoccupied with political squabbles and that the problems *of the economy have heaped up* by default. Deng is now juggling with the almost impossible *task of grafting a market system* onto China's centralised administration while at the same time *preventing a devolution of* power blossom out into uncontrolled spending and inflation. In the power bargaining he appears to have won his way over the direction the economy should take. But it will not be until the Central Committee meets possibly next month and China holds its first party Congress this summer since 1977 that a fuller picture will emerge of how strongly the party hierarchy has lined up behind him.

WESTERN businessmen have argued for years that Japanese management practices will not work in American and European companies. But in an attempt to improve employee motivation, productivity and quality, hundreds of them are now encouraging small groups of workers to band together in what the Japanese call "quality circles." The Financial Times today launches a series of eight articles which examine this phenomenon, and its chances of success.

LEARNING FROM THE JAPANESE

Motivation: Japan's new export

By Christopher Lorenz, Management Editor

Ford is setting the pace with quality circles but will its double-quick programme backfire and consign them to the scrap heap of management fashions?

"JAPANESE WORKERS might fall for any three-card trick, but our blokes wouldn't," says Fred Hatt, foreman at a British chemical works.

So why have Mr. Hatt, hundreds of his company colleagues, and thousands of shop *floor* workers on both sides of the Atlantic, started to embrace a Japanese management concept that until last year was generally thought to be unexportable, except to countries like Taiwan and South Korea?

Fred Hatt has several answers. First and foremost, he sees the approach in question as being far from a piece of oriental sleight of hand.

Then there is the obvious threat that "the way things are in industry nowadays, one's got to try anything to save one's job." More positive is the pride in finding ways of working more effectively and congenially. Most convincing of all is his proven experience that the new approach "is a way of getting management to listen to what we say, and actually do some*thing about it." Or, in the words* of one of his more explicit colleagues, it gives the shop floor "a way of confronting the management's excuses through direct communication."

Management sees it somewhat differently, of course. To Mr. Hatt's general manager, Philip Penrice, the attraction of encouraging *small groups* of workers to band together under their foreman in "quality circles" was threefold: improving the technical efficiency of manufacture; increasing productivity; and, probably above all, stimulating motivation and involvement on the shop floor.

The concept of a quality circle as practised in Japan is that groups of about 10 working colleagues—whether from the shop *floor or from "white collar"* areas—form a circle with their supervisor or foreman as leader.

In regular meetings they analyse problems which interfere with their own efficient working, and they formulate solutions. Where possible, they implement them themselves; otherwise they put strong pressure on management to introduce them. Since management is already committed to the circle approach, it is ready to listen—and act. Circle members receive no direct financial reward for *their improvements.*

Quality circles are far from being yet another technique to improve the quality of manufacture or office work and at the same time cut costs: this is one of the reasons why many companies, both in Japan and the West, have dropped the word "control" from the original term "quality control circles." Only an estimated one-third of current quality circle projects *in Japan are directly quality*-related, the remainder dealing with productivity, safety and other issues.

Underlying the whole approach is the principle of improving the motivation of employees by increasing their involvement in workplace decisions.

The Japanese concept is being adapted in various ways by companies in the U.S. and Europe—in some cases, for example, by the inclusion of specialist managers in the circles, in others by a formal link with the *company's existing suggestion* scheme. Both these changes

In Britain at least 40 companies have quality circles

are criticised by Europe's leading quality circle specialists who emphasise the key principle of offering collaborative groups of workers considerable scope to improve quality and productivity on their own initiative.

Fred Hatt and Philip Penrice work in Dagenham, on the eastern fringes of London, for *May and Baker, a subsidiary of* the French Rhone-Poulenc chemicals group. At their relative ends of the management spectrum, they are engaged in an experiment which could break the myth that Japanese management practices cannot be applied in the West.

The myth rests on the argument that Western culture places the group in a subservient position to the individual, *rather than vice* versa as in Japan and that—except in a few instances—the *prime basis of management*-union relations in the West is combative, rather than collaborative.

"*Competition is the driving* force in our society—we can't easily replace competitive forces by pure co-operation," says Peter Engel, manager of training for Ford of Europe's body and assembly operations. Ford began introducing quality circles in late 1979, and has been moving rapidly — too *rapidly, according to some* employee relations specialists—towards its ambitious target of *having circles in all its Euro*pean factories.

Of more immediate impor*tance than the importability or* otherwise of Japanese management attitudes and practices is *their proven effect in the mar*ket place. If Messrs. Hatt, Penrice and the other quality circle practitioners succeed in sustaining their early achievements, they will be doing their part in raising the quality and productivity of Western industry towards the extraordinary levels which Japan has achieved in *recent years, at the expense of* one Western company after another.

Such a claim may seem all too redolent of the familiar consultancy and business school ver*biage which accompanies the* launch of any "new" management technique, only to seem naive and ridiculous when they fail, either in the face of stark reality, or in exchange for the latest management "flavour of the month."

Yet there is no denying the remarkable way in which the quality circle bandwagon has gathered pace in the last two years and not only in the high *technology industries, where* one would expect any quality-improvement technique to be looked on with favour. About 250 companies in the U.S. now have quality circles, most of them big names such as General *Motors, RCA, General Electric,* Westinghouse, Intel, 3M and American Airlines, but also lesser fry. Four years ago, only a handful practised the concept, notably two ultra-high technology enterprises, Lockheed and Hughes Aircraft.

In Britain, the take-off has been even more rapid in relative terms. *At least 40 com*panies have begun to introduce quality circles over the past 15 *months,* in both blue and white-collar areas, most of them since September 1979, when the first of a series of public seminars was held.

The list now includes BL, Chloride, Ford, ITT, Marks & Spencer (and nine of its suppliers), Mullard, the Rolls-Royce aero engine company and Wedgwood, as well as many smaller firms. The furthest advanced in terms of numbers appears to *be Ford,* which claims to have over 460 quality circles in operation throughout *Europe, half of them in Britain.* But there is some debate outside the company about whether those of its groups which include both shop floor workers and managers should really be classified as quality circles.

Unlike Ford, most companies have made extensive use of consultants to help them introduce the concept, either David Hutchins Associates in conjunction with Executant (Chloride and M&S, for example), or PA International (whose clients include May & Baker and ITT). *Now even the Government has* jumped onto the bandwagon, with the Trade Department starting to *proclaim the virtues* of quality circles. Just two years ago, Rolls-Royce and BL were virtually the only British-owned companies using them, and Ford had not even started.

In Scandinavia, too, circles *are beginning to take root,* with Volvo and Danfoss, the Danish electrical components maker, two of the leaders in a field which now numbers about three dozen companies. On the Continent progress has been slower, except within the U.S.-owned multinationals, partly because the consultants have been less *active so far, and partly be*cause the more authoritarian organisational structures of French and German companies offer less fertile ground for growth. In central and south America, on the other hand, quality circles have taken root rapidly, especially in Brazil.

But all these developments pale in comparison with the growth of the concept in the Far East. Taiwan and South *Korea have introduced it with*

The main opponents have been managers not unions

characteristic rapidity, and in Japan itself the number of quality circle members has *swollen to over 10m, most of* them joining over the last 15 years.

The concept's sudden adoption in the West can be attributed to the way it is capturing several very different top management pre-occupations. Since top managers are the essential "champions" of any management innovation, commitment is vital to the success of quality circles.

The most obvious of these pre-occupations is the universal western need to improve both productivity and product quality if industry is to survive against the triple onslaught of recession, inflation and unprecedented competition (especially from the Far East).

Closely related, but also a long-standing motive in itself, is the conviction of many senior managers that the only way to stop organisations—large or small—becoming moribund in the current social climate is to communicate more effectively with *junior managers* and the shop floor; to give them a greater degree of involvement with the company and their jobs (which is not necessarily the same thing as "participation"); and generally to "improve the quality of working life."

Ken Walton, head of ITT Components, argues the case in more down-to-earth terms. "If you treat people like idiots, just harnessing them to machines, you're not going to get any results at all."

Whatever the attractions of greater worker *involvement,* quality circle evangelists are perfectly well aware that many managers are motivated more by quantifiable costs and benefits. Lumping quality and productivity improvements together they can quote reams of impressive cost-saving projects which have been initiated by *individual quality* circles: £60,000 a year on one R-R turbine welding project by *cutting the proportion of defec*tive welds from 24 per cent to 1.8 per cent: an annual saving of £26,000 on machining blades for a new version of the RB 211 engine, by cutting the scrap rate from 4 per cent to 0.5 per cent; a massive $636,000 saving at Westinghouse on materials purchasing; or $100,000 a year on each of several projects at Hughes Aircraft. And all these benefits have been secured at *very little cost: one manager* claims a cost-benefit ratio of 1:10.

But other companies—including ITT Components, May and Baker and Danfoss, the Danish electrical group—talk in terms of project-per-project savings of £2,000 to £7,000, at most.

To those who see trade unions as the most likely stumbling block—in their role as the arch-opponents of change—*it will come as a sur*prise to find that the most evident opposition to quality circles so far, in Britain as well as the U.S., has been from middle managers who are either too busy to come to grips with quality circles, or who feel their position threatened.

This series of articles will continue to appear on the Management Page from tomorrow, starting with an analysis of the theory behind quality circles, and a look at their practical pitfalls.

MEN AND MATTERS

Enterprise gets an airing . . .

Whatever Margaret Thatcher may do to encourage the sort of enterprise shown by the small business innovators and inventors she meets today, all they still need for a start is that bright and simple idea.

Inspiration came to Jim *Elson in a moment of irritation* over the waste of the aerosols and the inadequacies of the plastic hand-sprays in which he marketed rust inhibitors and penetrating oils.

"I grumbled to myself that what was needed was a container that worked like an aerosol but could be refilled," he says. Elson *sketched the idea,* paid an engineer £40 to make a prototype, and the Jenn. Can was born.

Named after his wife, it is an aluminium aerosol that uses air as a propellant. It can be refilled with liquid and repressurised with a foot-pump or even a bicycle pump.

Elson patented the design and ordered parts for 100 cans which he assembled in the garage at *his home* near Guildford in Surrey. He sold them in a few weeks. Still assembling the *cans himself,* he expanded his business through mail order companies.

Then less than a year ago, he set up his *own* company, with patents and distributors in the *United States, Canada, and* throughout Europe. Manufacture was contracted to a company in *Northern Ireland.*

"Sales in the first eight months totalled £200,000 and demand is growing *fast,*" Elson tells me. "Two thirds of the cans have been exported."

Quite apart from its environmental advantage of using air instead of chlorofluorocarbons, Elson claims that the use of his spray with bulk liquid supplies can cost little more than half that of "throw-away" aerosols.

Cost-conscious Government departments and industry are among his best customers. "I almost got trapped into concentrating on its industrial uses," says Elson. "But the potential market is so wide, it constantly surprises me."

Among its uses now are the spraying of livestock with marker dyes, cakes with fresh cream and hospital patients with antiseptics. "Just add air . . . and there's no limit," says Elson.

. . . and a windfall

Initiative struck computer consultant Michael Green while he was *lying in the bath* listening to the gloomy industrial news on the radio.

"I thought, yes, I know a lot of people who would like to buy computers if they could afford them. Then dammit, I *realised* I also knew a lot of people who would like to sell what they had to get something better," he says.

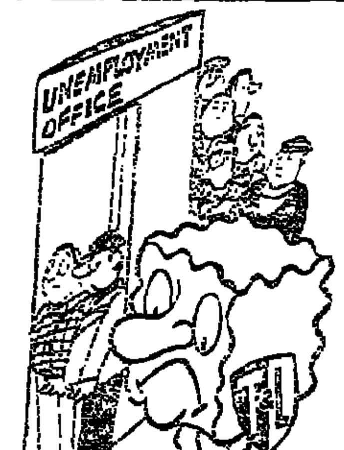
Four days later Green was introduced to Michael Hart who had just been given a golden handshake by a property company and was wondering what to do with the money. Within another couple of weeks, the pair had formed Computer Auctions Ltd and were in business at Three Bridges, Crawley, where the first of their sales of secondhand *computers will be held in* March.

"The response has been astounding," Green tells me. "In three weeks and before we've done any advertising, we have been offered enough lots *to ensure an auction a month* until the end of the year.

"We decided originally to *print* 200 catalogues for our first auction. But we've already increased the number to 1,000. We've had prospective buyers and sellers on the telephone from all over the UK, and from as far afield as California."

Hardware for sale ranges from word processors, through micros and minis to main frames. Largest machine to be offered so far cost £2.5m new. And a special auction of electronic games kits is being planned.

"It looks," says a delighted Green, "as if we have the right idea at the right time."



Wembley final

Labour history might have been differently written this weekend, I was reflecting, if chairman Alex Kitson had stuck to his threat to pitch all the photographers out of the Wembley conference.

A shirt-sleeved Clive Jenkins was one of the busiest of the cameramen there, snapping the final(?) appearances of that milieu of such frustrated Right-wingers as William Rodgers, Ian Wrigglesworth and Mike Thomas.

Birmingham Sparkbrook's Roy Hattersley had a very difficult day maintaining his middle-of-the-road balance while avoiding capture in such company by Jenkins's embracing wide lens. Though the camera missed Denis Healey pursuing his enigmatic practice of cutting up copies of this newspaper.

But all this was before Jenkins disclaimed his reported role as the Machiavelli of the unions' mass vote. "Straightforward goddammed lies," he says. Which leaves as many worries about the bumbling incompetence of the union "moderates" as about the sinister conspiracies of the Left-wing.

Engineers' leaders Terry Duffy and Sir John Boyd, whose inability to nobble one of their number's vote *last October* ensured the continuing Left-wing domination of the party's NEC, again distinguished themselves. By binding their delegation to nothing less than 51 per cent of the electoral college vote for MPs, they denied Michael Foot 928,000 votes that would have seen his 50 per cent compromise home.

Then there was Bill Whatley, USDAW's well-intentioned general secretary who, having waited in vain for moderate guidance from above, provided the devils with a successful motion.

After this the chances of the Labour Party in future actually electing the leader it really wants do not seem very high. Especially with Jenkins's added assurance that "people do emerge."

By that time, presumably, Roy Jenkins, Shirley Williams et al will no longer be directly interested. With their ideas about a new party concentrated by the conference, it seems that either Jenkins (R) or Williams could now be offered a useful platform or fail-safe base for their ambitions.

The departure of Conor Cruise O'Brien as editor-in-chief of The Observer this weekend has left Atlantic Richfield's Thornton Bradshaw, the newspaper's chairman, looking for a reputable political figure to succeed him. Despite some inside opposition, Bradshaw is said to be intent on securing one of the disaffected Labour luminaries.

Bona fide

The OECD's financial control service is being helped, I am assured, by a M. Fraud who has taken charge of staff loans, sickness and old-age benefits.

Observer

POLITICS TODAY

A separation, but is it a divorce?

THE MAIN question about the Labour Party after the extraordinary developments at the weekend is whether it is separation or divorce. Mrs. Shirley Williams, Dr. David Owen, Mr. William Rodgers and Mr. Roy Jenkins yesterday announced the founding of the Council for Social Democracy, but they have not yet left the Party. The number of Labour MPs likely to join them in the immediate future is probably not more than 10.

In the words of Mr. Michael Foot, the Party leader, who clearly sensed what was coming, the worst that could happen from Labour's point of view is that there might be a series of defections, but not a split.

Yet after the events at Wembley on Saturday the mood of depression in the Parliamentary Party is widespread. It is not just that the trades unions and the constituency parties have been given more power in the election of the Party leader. That was known in advance. It was the manner in which it happened that mattered.

Not until Friday night did anyone begin to guess that one of the most radical formulas on offer would be adopted by the conference. In future the leader and deputy leader will be elected annually by a college consisting of 30 per cent representation from the Parliamentary Party, 30 per cent from the constituency parties and 40 per cent from the affiliated organisations, meaning almost entirely the trades unions.

The formula came from USDAW, the Union of Shop, Distributive and Allied Workers, previously regarded as a moderate organisation of no great significance within the Labour movement.

No-one has given any convincing explanation of why USDAW put it forward in the first place, except that the union felt obliged to propose something. What happened is that the far left suddenly latched onto it as being the most likely winner if you steered the votes in the complicated voting system.

In the process Mr. Foot was defeated and so too was the Party's National Executive Committee, though perhaps the NEC did not mind. Mr. Foot supported ratios of 50:25:25 for the Parliamentary Party, the constituency parties and the unions respectively. The NEC was going for 33:33:33, with the remaining 1 per cent for Socialist and Co-operative Societies.

On the face of it, once the principle of a wider franchise for electing the leader had been agreed at the annual conference in Blackpool in October, the precise ratios did not matter too much. Indeed, there is a case for saying that it is better to give more power to the unions than to the constituency parties, which is precisely what happened at Wembley. For some of the trades union leaders at least have their feet on the ground and live closer to the real world that some of the delegates from the constituency parties.

But the bulk of the Parliamentary Party does not see it that way, or at least not yet. The PLP is sensitive to charges that it appears now more than ever in hock to the unions and can even be presented as the unions' creature. Much more telling than that, however, is the demonstration, repeated at Wembley, that even if the unions wish to behave responsibly, they cannot or do not deliver.

Time and time again it has looked as if the unions would come to the rescue of the Party leadership. Mr. James Callaghan used to trade on it. Mr. Foot has behaved in the same way. Yet when it comes to the conference floor and the actual voting the unions mess it up—not because they are malign, or revolutionary, but out of sheer incompetence. Mr. Bill Whatley, the leader of USDAW, has already said more or less that he is sorry, but that is after the event.

Leaving aside Mr. Tony Benn for a moment, there are now basically two views on the future of the Party. One is that the long fight back from within can now begin. The other is that it will gradually disintegrate. Both are tenable.

The case for fighting from within was best put by Mr. Roy Hattersley at a meeting of the Fabian Society during the Wembley lunch-break. It is that the Labour Party is still the party of fairness and greater equality. Neither the Tories nor any new grouping are likely to be able better to represent those values. There are also questions of loyalty, emotion and tradition. Some of his colleagues might add that it is, too, a question of class.

As Mr. Hattersley said: "The people we need to mobilise cannot imagine a Labour Party which they would not prefer in office to any of the alternatives—Conservative or coalition." His plan for action was to go out and encourage ordinary Labour voters to play a greater part in the constituency organisation of the Party and to oppose the people (meaning Mr. Benn's lot) who try to manipulate meetings.

Mr. Hattersley is not alone. Other Labour leaders who favour fighting from within include Mr. Denis Healey and Mr. Eric Varley. Between them that is at least an able a trio as Mrs. Williams, Dr. Owen and Mr. Rodges and, perhaps, any group of three that could be picked from the present Tory front bench. They should not be under-estimated. The evidence of other countries is that there is room for a broadly-based Labour movement that can also represent some of the aspirations of the middle class.

It is also possible that, in time, the trades union movement will begin to reform itself. Some of its leaders and members will come to recognise that there is nothing to be gained from giving victories to the far left, nor from the image of the block vote. They will seek to make their own organisations more democratic and refuse to support the more revolutionary tendencies in the Labour Party. A sizeable group of union leaders is already moving this way, but the problem is that it will take time for their influence to become effective.

Against all this, it is argued by potential defectors that it has all been said before. Mr. Hattersley has had years in which to go out and mobilise moderate Labour opinion in the constituencies, but it turned out that there were no troops. Mr. Callaghan counted on doing a deal with the unions, and look what happened. The recent history of the Party has been a series of defeats for the leadership and a continual slide to the left, both in terms of control of the Party machine and in policies.

The Wembley conference was merely the latest example of the leadership being kicked in the teeth and then being given a standing ovation for declaring the need for Party unity. As Mr. Rodgers remarked afterwards: "Mr. Foot is an honourable man doing his very best, but he can't deliver."

It is also possible that even Mr. Foot himself has not yet realised the extent of the determination of the left to gain control. There may be some arguement about whether Mr. Benn is the leader or merely the figurehead, but in this sense Wembley was again a revelation.

Mr. Moss Evans, the leader of the Transport and General Workers, may not be a leading thinker and therefore excused his slip when he suggested that a system of one member one vote for the Party leadership would be bad because it would "attract" card-carrying members instead of active workers. But you could get the real message from the Campaign for Labour Party Democracy.

The CLPD is the banner under which Mr. Benn operates. It is also the group which realised the benefits, from the far left's point of view, of mobilising behind the USDAW formula. At Wembley it held a lunchtime meeting, or "briefing," to tell its supporters what the issues were and to advise them how to vote. In fact, it amounted to the issuing of recommendations to back USDAW for tactical reasons. The tactics succeeded even beyond the far left's expectations.

There is no attempt any more to pretend that the reform of the Party's constitution is enough. It is now quite openly said—and was said many times at Wembley—that that is only the first stage. The real objective is totally to transform the Party's policies. There is also a concept of "active democracy" in which it seems that only those who attend meeting after meeting should hold power. As one delegate was cheered for saying: he didn't want the passive democracy of one member one vote: he wanted active, involved democracy.

The election of the leader by the wider franchise and the implicit threat of throwing him out the next year if he does not please the activists is one way of getting it. Another is the mandatory submission of a sitting MP to reselection procedures in his constituency before a general election, and the increasing attempt by constituency organisations to determine how the MP votes in Parliament. A third is the control of the Party's election manifesto. This last battle has not yet been won (or lost), but Mr. Benn admits that it is next on the list.

For Mrs Williams and her friends Wembley was a boost. The outcome was so awful that it gave them a better launching pad for the Council for Social Democracy. If Mr. Foot had been seen to have fought, even more if he had fought and won, the founding of the new group would look even more like an act of treason.

Yet it would be wrong to assume that the Gang of Three, plus Mr. Jenkins, have a monopoly of virtue in the Labour movement. They also appear to be notably short on policies. Other people before sought to reverse Britain's economic decline and to create "an open, classless and more equal society," including themselves.

Some Labour MPes are quite as well aware as they of what is going on, but are not yet ready to jump. They would like to give Mr. Foot a chance and perhaps watch the behaviour of the unions. The Labour Party is their life and has made them what they area. As Mr. Hattersley said on Saturday, his loyalty to the Party is "emotional rather than rational—the product of upbringing and personal gratitude." They also know that the fate of small breakaway movements in the past has not usually been very encouraging.

There is, however, among some a sense of relief that a lifeboat has been launched. Perhaps it may even act as a signal to the leadership to stand up and fight. That is why it is so important that the ties have not yet been finally severed. Those who are threatening to go are still—just—within the family. There could just be a reconciliation, though the odds must be against it.

Malcolm Rutherford

SHIRLEY WILLIAMS
Wembley was a boost

ROY HATTERSLEY
A case for fighting from within

TONY BENN
Election manifesto is next

Letters to the Editor

Unemployment costs

From Mr. E. Whiting.

Sir,—Costs tend to be different for different purposes. Samuel Brittan's article "The cost of employing the unemployed" (January 15) fails, I think, to make clear the distinction between (a) the net cost of keeping a person employed in the trading sector of the economy and (b) the net cost of providing work to a person directly paid by the Government.

In the case of trading sector organisations dismissing employees, the cost to the Government for a married man on average wages must be fairly relevant to the unemployment caused by recent redundancies in the paper, motor, steel and engineering industries. The £6,006 per annum, quoted from the House of Lords answer to a question, must be a reasonable representation for the typical person put out of work in this way. It omits, of course, the cost of redundancy paid by the Government, the cost of administration of unemployment benefits and the considerable "multiplier" or "knock-on" effects on other companies which must in turn reduce their employment.

As unemployment increases and these effects become more evident the case for subsidising companies at no net cost to the Government becomes stronger and stronger, especially if it can be assumed that recovery is not too far away. We have already seen the view that closure of BL would be "unthinkable" because the costs to the Government of the consequent unemployment are likely to be more than the costs of the subsidies given to BL. One of the reasons, I believe, why other European countries, such as France and Italy, subsidise their industries more than we do in the UK is that their cost of unemployment is much higher than ours especially in loss of employers' social security contributions. If we could substantially reduce such contributions Governments would not immediately suffer such loss of revenue on unemployment; this would make it, at one and the same time, less costly in subsidies to important loss-making companies and more attractive to profit-making companies to employ more. On these grounds alone the case for a switch from employer to employee taxation, in the short-term, seems unassailable.

The second case, of the employment on the public payroll of those now unemployed, is very different. The most typical of these must be the school leaver on supplementary benefit. According to my computation the wages paid by the Government to employ school leavers at zero net cost would be £1,021 per annum (in mid-1980) made up as follows:

	£
Supplementary benefit...	952
Employee's national insurance 6.75% of £1,021	69
Income tax	Nil
	£1,021

—much lower than Samuel Brittan's figure of £1,500. Employer's national insurance contribution does not apply, being simply out of one Government pocket into another.

Higher employee taxation on the wages "far above market clearing levels" would, however, seem to be justified also in this case if the proceeds of the tax were used to improve the profits and resources of private industry to provide employment. Part of the tax might be regarded as a contribution by the new employee to his training. The youth opportunities programme for work experience produces an effect of highly taxed initial wages for certain workers with benefits accruing to certain employers.

Some method could surely be found by fiscal means to embrace all these situations so that the net result of wages and training cost is nearer to the needs of the economy. We are not here so much concerned with the cost of unemployment, which financially is very small, but with the whole question of the organisation and financing of training and the long-term benefits to be derived from a new approach.

Edwin Whiting,
(Lecturer in Management Control),
Manchester Business School.
Booth Street West,
Manchester.

The risk factor

From Mr. J. Marshall

Sir, — Although there is a great deal of statistical evidence to show that a "high beta" portfolio of equity investments will tend to outperform the equity market in either direction, I would take this opportunity to question the use of "risk" factors in portfolio investment, particularly with regard to larger funds, where, as is often the case, stock selection is not the sole investment consideration.

From the point of view of an *investing* fund, there are two major initial investment decisions. The first is the policy decision which divides the available funds between different areas of investment eg. UK equities, UK gilts, U.S. equities, etc. Once this division has been made, the next step is to decide on the individual investments to be included in each of these categories. Consequently, a significant factor affecting the fund's performance is the initial policy decision. The "risk" element involved here is not quantifiable.

The policy decision to invest a certain percentage of the total fund in, say, UK equities, reflects the level of optimism expressed by the managers towards the UK equity market. Fund managers however, will not commit themselves to saying definitely that the UK equity market will move in a particular direction as basically they do not know and can only rely on their own intuition. One would conclude therefore that most managers are cautious in their views of the market. It is as a result of this element of caution that the case for considering the criterion of high and low beta factors becomes less significant, as their major contribution to stock selection lies in the performance of a high or low beta portfolio relative to the market. Given a firm view of the market, this appears acceptable. The majority of fund managers, however, do not take a firm view of the direction of the market, except possibly for chartists, who have yet to prove the reliability of their methods.

In defence of risk factors, however, they do have a usefulness in the continuing management of an investment fund as they are an indication to the manager of the expected relative performance of the fund.

James Marshall,
21 Barony Street, Edinburgh.

Protected income

From Mr. A. Gray

Sir,—If the Government was to change the point at which tax relief awas given to pension savings from the time when they were initially put aside to the time when they were actually required, i.e. at retirement age, at the same moment as offering to swap retired persons' accumulated (taxed) pension capital for an index-linked tax free income annuity, this would not only represent a major innovation of the public sector borrowing requirement funding methods presently used it would also give every saver the opportunity to obtain a protected income when he most needed such security.

It is difficult to put precise figures upon the net amount of money which the Government could raise by such a switch but that it would represent a very substantial—and annually repeatable—part of the PSBR cannot be doubted.

Moreover, on an assumption about the rate of inflation in the future of 10 per cent each year, a generous 8 per cent tax free starting yield on an indexed annuity would be under half as expensive for the Government to finance as comparable protection on borrowing of the pensioner's money through some form of "Granny Bond" during his actuarial 15 year life expectancy. In addition, annuities only require annual servicing and present *no* refinancing problem on maturity.

Adrian Gray.
31, Russell Road,
Wimbledon, SW19.

Extravagant financing

From Mr. R. Nottage

Sir,—Mr. Martin Paterson (January 13) draws attention to the propensity of employers to accept the advice of experts in regard to insured pension schemes without expecting to understand the principles on which the advice is based; and points out how unfortunate this was when contract in/out decisions had to be taken a few years ago in regard to the new state pension scheme. This lack of understanding is not confined, one suspects, to employers with insured pension schemes. Governments also seem to suffer from it.

The new state pension scheme provided a unique opportunity for all employers with "final salary" schemes to hive off a significant part of their long-term pension liabilities—for which, as Eric Short said in his excellent article "Pensions U-turn in the wind" (January 2), there is no upper limit of cost—and instead to pay National Insurance contributions that are manifestly reasonable, likely to be relatively stable, and are predictable with greater certainty than the contributions to employer-based schemes.

This apart, it was clear from the Government Actuary's published reports that the smaller the number of employees contracted out of the state scheme, the lower would be the National Insurance contributions required to meet its benefits. With the contracting out of some 10m employees, half of whom are in the public sector, however, the general joint contribution rate required to meet National Insurance benefits next year will be 16.5 per cent against the rate of only 13.7 per cent that would be needed with no employee contracted out.

The late Labour Government thus had two strong reasons for decreeing that all public sector employees should be contracted into the state scheme. It would have (a) reduced the demands on the Exchequer for funding the pensions of the nationalised industries, local authorities, quangos et al, and (b) minimised the level of National Insurance contributions, to the advantage of every employer and employee in the land. For reasons that were never explained, however, Ministers favoured contracting out, with the result that in 1981-82 public sector employers and employees and the Treasury will have to pay out at least £1bn more than would otherwise have been necessary.

It is to be hoped that the Government will soon turn its attention to the possibility of reversing its predecessor's extravagant policy—extravagant not in benefits but in the manner of financing them.

Raymond Nottage.
36, Arkwright Road, NW3.

True cost accounting

From Mr. Martin G. Taylor.

Sir,—On two consecutive days (January 19 and 20) the "Lex" column has referred to the subject of banks and current cost accounts.

In respect of the consortium banks, the column suggests that the fact that such current cost information might be "unpalatable" is "something that they must face up to." I wholeheartedly support this view. It is essential that users and, more especially, producers of banks' financial statements realise that it is now necessary that the impact of inflation be adequately disclosed.

In respect of discount houses (and presumably other non-disclosure banks) your column seems to imply that some form of secret pact has been consummated between these banks and their auditors. This is not in fact the case. What has happened is that most of the auditors of the non-disclosure banks have reached a consensus view that CCA figures based upon anything other than true and fair full disclosure historical cost financial statements cannot have any meaning—indeed they would be contrary to both the spirit and the objective of SSAP 16. Sense added to nonsense still produces nonsense.

To talk of CCA figures in the context of "non-disclosure banks" is a "red herring." Until such time as their statutory exemptions are removed (or, as seems less likely at present, given up), it would be a disservice to users of their financial statements to present CCA figures based on the disclosed historical amounts. The non-disclosure banks must first embrace the concept of the true and fair view in their historical cost financial statements before CCA can be considered as having any relevance to them.

Martin G. Taylor.
Deloitte, Haskins and Sells,
Wheatsheaf House,
24, Bernard Street,
Southampton.

Today's Events

GENERAL

UK: Mrs. Margaret Thatcher and Ministers meet 150 innovators and financiers at Downing Street small business talk-in and reception.

One-day conference, organised by Westminster of City Programmes, on 1981 Budget: submissions to the Chancellor—speakers include representatives from the Confederation of British Industry, Institute of Directors, Stock Exchange, Institute of Fiscal Studies, House of Commons Select Committee on the Treasury and the Opposition, Grosvenor House Hotel, London.

Increase in postal charges: First-class letter is now 2p dearer at 14p and a second-class letter costs 1½p more at 11½p. The cost of sending mail overseas will rise on average 27 per cent. Parcels go up 18 per cent and postal orders will be about 25 per cent dearer.

General and Municipal Workers Union two-day national conference of chemical workers opens, Eccleston Hotel, London.

National Union of Public Employees Welsh water workers discuss pay and industrial action, Elephant and Castle Hotel, Newtown, Powys.

Announcement by National Union of Railwaymen on London Underground Campaign.

Sir Hugh Casson, president of the Royal Academy, officially opens Exhibition of Design of British Postage Stamps, Design Centre, Haymarket, London, noon.

Overseas: Islamic Conference of Arab Heads of State continues, Mecca.

PARLIAMENTARY BUSINESS

House of Commons: Forestry Bill, second reading. Increase of Rent Restriction motions.

House of Lords: Merchant Shipping Bill, third reading. Parliamentary Commissioner (Consular Complaints) Bill, third reading. Social Security (Contributions) Bill, committee. Local Authority Grants (Termination) Order. Forgery and Counterfeiting Bill, second reading.

Select Committees: Home Affairs. Subject: Administration of Prison Department. Witnesses: National Association for the Care and Resettlement of Offenders (4.30 pm, Room 8).

COMPANY MEETINGS

See Week's Financial Diary on Page 4.

COMPANY RESULTS

Final dividends: Bank Leumi (UK). Interim dividends: Cooper Industries. Hallite Holdings. Mercantile House Holdings. Midland Trust. Stroud Riley Drummond.

UK COMPANY NEWS

Thomas Ward in sound position

FINANCIALLY AND operationally the present position at Thos. W. Ward is sound says Mr. J. P. Frost, the chairman. Opportunities, when they come, can be *expected to be made as much of* as possible, he tells members in his annual statement.

The group's operations cover iron and steel, construction, engineering, motor distribution and industrial supplies. As known, pre-tax profits for the year to end September, 1980 rose £0.56m to £15.65m, although on a CCA basis, the adjusted figure is marginally down at £7.98m (£7.99m).

Mr. Frost says the main factors affecting Ward's prospects this year will be the level of demand for cement which has become increasingly important to the group, and international demand for steel and, therefore, scrap.

In the past five years, the group has reduced its exposure to manufacturing activity and the businesses remaining are, with few exceptions, in relatively stable markets under better control, he adds.

The group's balance sheet has been further strengthened by its *third successive year of cash* generation which, together with the conversion of around half of the convertible loan stock, reduced net borrowings by £12.6m to £6.2m. Shareholders' funds *rose from £81.24m to £92.36m.*

Working capital has been reduced by 5 per cent in money terms and therefore by somewhat more than that in real terms. Capital expenditure was matched *by depreciation and disposals.*

Mr. Frost comments that the group is well set to ride out the present storm and to be in the best possible position when conditions improve.

Meeting, Sheffield, February 20, 3 pm.

SPAIN

1980 High	1980 Low		Jan. 23 Price %
295	203	Banco Bilbao	265
308	217	Banco Central	308
250	206	Banco Exterior	250
260	200	Banco Hispano	260
127	120	Banco Ind. Cat.	121
175	141	Banco Madrid	141
[illegible]	257	Banco Santander	310
190	140	Banco Urquijo	153
283	258	Banco Vizcaya	283
220	200	Banco Zaragoza	217
108	75	Dragados	102
62	45	Espanola Zinc	45
59.7	53.2	Fecsa	57.7
40	22	Gal. Preciados	27
71.7	58.7	Hidrola	66.2
65	57.5	Iberduero	60.7
100	77	Petroleos	86.5
90	59	Petroliber	75
115	63	Sogefisa	102
63.5	51.5	Telefonica	61
67	56.2	Union Elect.	63

Lloyds & Scottish confident of no probe

BOTH THE Trustee Savings Bank and Lloyds and Scottish have now made their submissions to the Office of Fair Trading over their separate bids for all or part of United Dominions Trust.

Lloyds and Scottish expects a decision from the OFT within the next couple of weeks and firmly believes it will be favourable, Mr. George Duncan, the chairman, said yesterday.

The UDT Board, however, is waiting to tell shareholders its reaction to the bid until the formal announcement has been made over whether the Monopolies Commission is to be called in.

The *merger of the two finance* houses would create a consumer credit group with a turnover of about £1bn.

Clearance from the OFT is, of course, a pre-condition of the bid. Lloyds and Scottish has also said that it depends on *recommendation from the UDT* Board.

Unsually, the recommendation being sought is not in order to persuade shareholders — the Prudential and Eagle Star between them effectively own more than half of UDT's shares.

When he announced the bid earlier this month Mr. Duncan spoke of the importance to a finance house of the personal contacts of the staff and the need to maintain the staff's confidence in the post-merger period.

The prospects for staff will be one of the important considerations in whether UDT's board recommends the offer. The TSB's offer to buy the consumer credit division of UDT contains guarantees for retaining staff.

L and S has not yet publicly given similar guarantees but Mr. Duncan has said that the move represents expansion for L and S and that the existing staff and facilities would not have the *spare capacity to cope with the* extra business from UDT.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Cooper Industries, Halifax, Kakuzi, Mercantile House, Midland Trust, Stroud Riley Drummond.

Finals—Bank Leumi (UK).

FUTURE DATES

Interims:—	
Denbyware	Jan 29
Garford-Lilley	Jan 29
Lyntos	Jan 29
Finals.—	
Ashdown Investment Trust	Jan 27
Bibby (J.)	Mar. 5
Howden (A.)	Mar 26
Lonrho	Feb. 5
Romney Trust	Feb 20
Thermal Syndicate	Feb 12

Westward denies leap in overdrafts

A spokesman for Westward Television yesterday described as "not true" claims made by Mr. Peter Cadbury, the former chairman, that overdrafts had soared to £600,000 and could reach nearly £900,000 by next month.

In the notes to the accounts to July 31, interest receivable from cash deposits of £822,000 more than outweighed the £39,000 interest paid in the whole year on overdrafts and short term loans.

Mr. Cadbury no longer owns any shares in Westward but former colleagues with significant voting power including Mr. Bill Cheevers, are said to want to attempt to remove Lord Harris of Greenwich, the chairman, from the board at Thursday's annual meeting.

Maxim's lower in first half

Although turnover of Maxim's, restaurateur, increased from £1.1m to £1.43m, pre-tax profits for the first half of 1980 were lower at £8,047, compared with £13,565.

After French tax of £4,023 (£6,782) net profits for the period were down from £6,783 to £4,024.

FT Share Information

The following securities have been added to the Share Information Service:—

Attwood Garages (Section: Motors-Garages).

Bell (Arthur) 9¾% Conv. Uns. Loan Stock 1999/2001 (Beers).

Hansa Petroleum Corp. (Oil & Gas).

Thames Investment & Securities 12% Conv. Cum. Red. Pref. Shares (Property).

Cowie makes £1m write off

The Cowie Group of Companies has written off £1m from reserves as a result of heavy losses at Eastern Tractors, the company acquired by George Ewer just before Ewer was taken over by Cowie.

Eastern's trading losses amounted to £1.2m in the 10½ months to mid-June 1980 and *Mr. Tom Cowie, the chairman,* tells shareholders in his annual statement, this "exceeded even our worst fears."

The loss qualifies as a pre-acquisition item for Cowie but, the chairman says, it has the effect of reducing Ewer's reserves, and therefore Cowie's, by more than £1m. Shareholders' funds in the accounts for the year to September 30 were £11.86m (£9.3m).

Cowie has made "major economies at Eastern since it took over and may now feel that it could contribute to the group in the future. During the bitter bid battle between Cowie and Ewer Mr. Cowie said that it had no place in the group but now he says that while Eastern has brought "problems which we did not want, it is possible that with the expertise within your group we may in due course be in a position to benefit from this diversification."

This cautious optimism is not preventing the board from continuing its legal action against the former Ewer directors to recover the £1m loss.

The impact of the slump in motor sales volume is reflected in the profits from the motor division of only £875,000. Mr. *Cowie warns of the distortions* created by the inclusion of Ewer but notes that the performance of every section of the division is lower than the previous year when pre-tax profits from this *source rose by 12 per cent* to £1.5m.

Restructuring of the finance division by the sale of Red Dragon Securities to Avco Financial Services, and the establishment of a joint company with Forward Trust to handle the leasing, contract hire and general financing, has taken £16m of borrowings off the balance sheet.

Nottingham Brick reducing production

TO CONTAIN its stocking posi*tion and maintain* a balance between sales and production, **Nottingham Brick Co.** is to reduce brick production at both Nottingham and Maltby plants, Mr. W. D. Crane, the chairman, *explains in his annual statement.*

In the year to September 30, 1980, stocks had jumped to £935,229 (£446,162).

The directors recognise the effect of the decision on the current year results, he acknowledges. However, the company continues to achieve sales in new markets over a wider area: a new textured brick is being intro*duced at Maltby* and the sales force has been increased.

Mr. Crane says that in the present state of trade where supply substantially exceeds demand, it is impossible for the company to maintain the profit margins, which in normal trading conditions would be considered appropriate to provide for development.

The directors are satisfied that, when the political decisions have been taken to enable the construction industry to recover, the company will achieve the benefits of capital expenditure of recent years.

As reported December 18, taxable profits for the 1979-80 year dropped to £606,052 (£641,455) on turnover ahead from £3m to £4.6m. Current cost pre-tax profits declined from £406,000 to £310,000.

Plans have been completed for further mechanisation of the Maltby plant, but will only be *implemented when the directors* are satisfied that the future demand for Maltby bricks justifies the substantial capital spending involved.

Meeting, Nottingham, Feb. 18, 10.45 am.

Dunlop S. Africa rises

Dunlop South Africa, the 70 per cent-owned subsidiary of Dunlop International, increased *trading profit by 41 per cent to* R22.4m and turnover by 24 per cent to R157.5m in 1980.

Increased tyre sales were an important factor in the turnover and profit advances.

Dunlop has sufficient tyre making capacity to cope with this year's expected 4 per cent advance in motor vehicle sales and is not planning major capital expenditure to expand plant and equipment.

However, it is engaged in a three-year, R10m capital programme to increase manufactur*ing capacity of industrial rubber* goods.

Mr. Clive Hooper, managing director, believes that Dunlop will have no difficulty financing its current expansion plans. He points out that the company's debt/equity ratio is below 10 per cent.

Dividends totalling 31 cents (30 cents) have been declared from earnings per share of 93 cents (65 cents).

Belhaven buys a Norfolk holiday camp

Belhaven Brewery Group has agreed to buy **Golden Sands Holiday Camp (Hopton-on-Sea)** for £254,000. This is the first acquisition to be made by Belhaven since Mr. Eric Morley and Sir Fred Pontin joined the board. Further acquisitions are currently being studied.

Payment for Golden Sands is to be satisfied in cash or shares at Belhaven's option and the deal is expected to be completed on April 6.

The camp, which is near Great Yarmouth, has capacity for 525 guests and nine acres of land are available at the site for expansion.

Golden Sands made a £42,711 pre-tax loss for the year to March 31, 1980, but for the six months to September 30 last showed a £4,625 profit. The half-time unaudited net tangible assets stood at £164,000.

Ulster Inv. Bank rises 34 per cent

PROFIT after tax of **Ulster Investment Bank**, a wholly-owned subsidiary of National Westminster Bank, was £1.61m for the year to September 30, 1980, a rise of 34 per cent on the previous year's £1.21m.

Lord Killanin, chairman, says the outcome was satisfactory in a difficult year and maintained the bank's record of achieving an increase in profits after tax every year since it was formed in 1973.

None of the surplus was transferred to capital reserve (associated company), against £15,933 in the previous year. The retained profits were £5.58m (£3.96m).

Jitra Rubber

Pre-tax profits of **Jitra Rubber Plantations** increased from £116,056 to £137,159 for the year to September 30, 1980, while the after-tax figure came out ahead at £86,779, compared with £73,683.

Earnings per 10p share rose from 3.32p to 3.91p and the dividend is stepped up to 2.5p (2.2p) net. A four-for-one scrip issue is also proposed.

THOMSON STOCK

The Thomson Organisation will redeem the £1.7m outstanding of its 6¾ per cent first mortgage debenture stock within 21 days *of the fulfilment of all conditions* for the sale of Times Newspapers Holdings. Arrangements will be made with the trustees of the stock, Pearl Assurance Company, for redemption of the stock at par plus accrued interest.

Higher bonus rates from three life companies

SUBSTANTIAL INCREASES in all bonus rates have been made by the **Eagle Star Insurance Group.** Under ordinary life policies, the reversionary bonus rate for 1980 is improved 20p to £5 per cent of the sum assured and attaching bonuses.

In addition, the terminal bonus rate, for death or maturity claims in 1981, is lifted from 20 per cent to 25 per cent of all attaching bonuses, including interim bonus.

Under with-profit group pension and discretionary schemes, the 1980 reversionary bonuses are lifted by 50p to £5.50 per cent of the basic benefit-plus attaching bonus. The final maturity bonus is increased from 40 per cent to 45 per cent of the total benefits.

For personal pension and executive pension schemes, the *reversionary bonus rises by 30p* to £4.80 per cent compound, with a terminal bonus being paid for the first time, of 10 per cent of attaching bonuses.

The interim bonus rates for 1981 are kept at the same rate as the 1980 reversionary bonuses.

The Friends' Provident Life Office has improved a number of its UK bonus rates against a background of significant rises over the past 12 months in the asset values of its investments.

The company is raising its terminal bonus rates for death or maturity claims in 1981 from 30 per cent to 40 per cent of attaching bonuses for whole life and endowment contracts: and from 20 per cent to 25 per cent of attaching bonuses for flexible endowment contracts.

The company is leaving its interim reversionary bonus rate on ordinary assurances unchanged at £4.75 per cent per annum compounded triennially. But on executive and master policy pension schemes, the interim rate is lifted by £1 to £10.50 per cent per annum of the basic benefit and attaching bonuses. The interim rate on personal pensions is also improved by 40p to £6.40 per cent per annum compound, while the terminal bonus is increased substantially for contracts vesting this year from 10 per cent to 50 per cent of attaching bonuses.

Higher rates of reversionary bonus for the three years ending December 31, 1980, have been declared by **Reliance Mutual Insurance Company** on both ordinary and industrial branch business.

In the ordinary branch, the new rate for both whole life and endowment assurances is £4.25 per cent per annum of the sum assured and attaching bonuses. The previous rates were £4 for whole life contracts and £3.75 per cent for endowment assurances. In the industrial branch, rates for the main classes of business are improved by 25p to £3.75 per cent per annum of the sum assured only.

The company announces that in future bonuses will be declared annually.

UNITED STATES & GENERAL TST.

Pre-tax profits of the **United States and General Trust Corporation** remained virtually unchanged at £1,392,918 compared with £1,390,565 in the year to December 31, 1980. Gross revenue was £1.47m (£1.46m). First-half pre-tax revenue had advanced from £540,954 to £668,161.

After tax marginally lower at £474,111 (£477,067), stated earnings per 25p share are 10.96p (10.89p). Net asset value per share at *December 31* was *330.8p* xd (248.7p xd). The final dividend is raised from 5.61p to 6.5p for a total of 10.5p (10.29p), which included a special non-recurring payment of 1.68p).

IN BRIEF

KELSEY INDUSTRIES (manufacture and sale of solder, audio accessories and sealants, and industrial roofing and insulation contractor)—Preliminary results for the year to September 30, 1980, reported on December 17. Shareholders' funds £7.43m (£5.53m), bank balances and cash £248,000 (£278,000), bank overdraft nil (£1.17m). Meeting, Hemel Hempstead, February 17, 11 am.

NORTH MIDLAND CONSTRUCTION COMPANY (civil engineer and public works contractor)—Results for year to August 31, 1980, reported January 9, 1981. Shareholders' interests £680,756 (£530,385), cash £98,601 (£5,281), bank overdrafts £91,909 (£144,222). Meeting, Nottingham, February 12, noon.

OAKWOOD GROUP (civil and electrical engineer and wholesaler of sanitaryware)—Results for year to September 30, 1980 reported December 20. Shareholders' funds £2.35m (£1.58m), bank balances and cash £153,000 (£422,000), bank overdrafts (secured) £601,000 (£711,000). Meeting, Croydon, February 17, 11.30 am.

PALMERSTON INVESTMENT TRUST—Pre-tax surplus for six months to September 30, 1980, £120,532 (deficit £3,965). Interim dividend 0.594p (same)—last year's total was 1.729p from a pre-tax loss of £83,000.

TENDERS MUST BE LODGED AT THE BANK OF ENGLAND, NEW ISSUES, WATLING STREET, LONDON, EC4M 9AA NOT LATER THAN 10.00 A.M. ON WEDNESDAY, 28TH JANUARY 1981, OR AT ANY OF THE BRANCHES OF THE BANK OF ENGLAND OR AT THE GLASGOW AGENCY OF THE BANK OF ENGLAND NOT LATER THAN 3.30 P.M. ON TUESDAY, 27TH JANUARY 1981. TENDERS MUST BE IN SEALED ENVELOPES MARKED "EXCHEQUER TENDER"

ISSUE BY TENDER OF £1,000,000,000
12 per cent EXCHEQUER CONVERTIBLE STOCK, 1985
MINIMUM TENDER PRICE £97.00 PER CENT

PAYABLE AS FOLLOWS

Deposit with tender	£40.00 per cent
On Friday, 27th February 1981	Balance of purchase money

INTEREST PAYABLE HALF-YEARLY ON 22ND MARCH AND 22ND SEPTEMBER

This Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive tenders for the above Stock.

The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one new penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Transfers will be free of stamp duty.

Interest will be payable half-yearly on 22nd March and 22nd September. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. The first payment will be made on 22nd September 1981 at the rate of £7.2122 per £100 of the Stock.

Holdings of 12 per cent Exchequer Convertible Stock, 1985 may, at the option of holders, be converted in whole or in part into 13½ per cent Exchequer Stock, 1992, as on the following dates and at the indicated rates:—

Date of Conversion	Nominal amount of 13½ per cent Exchequer Stock, 1992 per £100 nominal of 12 per cent Exchequer Convertible Stock, 1985
22nd September 1981	£99
22nd March 1982	£98
22nd September 1982	£97
22nd March 1983	£95
22nd September 1983	£92

Amounts of 13½ per cent Exchequer Stock, 1992 issued in order to meet the exercise of the above options to convert will rank equally in all respects with amounts of the stock already issued under the terms of the prospectus dated 2nd May 1980. Notices setting out the administrative arrangements for the exercise of the options to convert and forms of acceptance for completion will be issued to holders at the appropriate times. Where a holding is held jointly by more than two holders options to convert may be exercised by a majority of them.

Completed forms of acceptance in respect of each of the options to convert, accompanied by *certificates of title for holdings of 12 per cent Exchequer* Convertible Stock, 1985, must be lodged at the Bank of England, New Change, London, EC4M 9AA, or at the Bank of Ireland, P.O. Box 13, Donegall Place, Belfast BT1 5BX, not later than close of business one week before each date of conversion.

Her Majesty's Treasury have directed that Section 209 of the Income and Corporation Taxes Act 1970 (which relates to the treatment for taxation purposes of financial concerns whose business consists *wholly or partly in dealings in* securities) shall apply in exchanges of securities made in pursuance of the [illegible]

Holdings of 12 per cent Exchequer Convertible Stock, 1985 in respect of which [illegible]

Tenders must be lodged at the Bank of England, New Issues, Watling Street, London, EC4M 9AA not later than 10.00 A.M. ON WEDNESDAY, 28TH JANUARY 1981, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England not later than 3.30 P.M. ON TUESDAY, 27TH JANUARY 1981. [illegible] The minimum price, below which tenders will not be accepted, is £97.00 per cent. Tenders must be made at the minimum price or at higher prices which are multiples of 25p. Tenders lodged without a price being stated will be deemed to have been made at the minimum price.

A separate cheque representing a deposit of £40.00 per cent of the nominal amount tendered for must accompany each tender; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man. Tenders must be in sealed envelopes marked "Exchequer Tender". Tenders must be for a minimum of £100 Stock and for multiples of Stock as follows:—

Amount of Stock tendered for	Multiple
£100—£1,000	£100
£1,000—£3,000	£500
£3,000—£10,000	£1,000
£10,000—£50,000	£5,000
£50,000 or greater	£25,000

Her Majesty's Treasury reserve the right to reject any tender or to allot a less amount than that tendered for. If undersubscribed, the Stock will be allotted at the minimum price, the balance of Stock not tendered for being allotted at the minimum price to the Governor and Company of the Bank of England, Issue Department. If oversubscribed, all allotments will be made at the lowest price at which any tender is accepted (the allotment price), and tenders accepted at prices above the allotment price will be allotted in full. [illegible]

refunded, be remitted by cheque despatched by post at the risk of the tenderer; if no allotment is made the amount paid as deposit will be returned likewise. *Payment in full may be made at any time after allotment but no discount will* be allowed on such payment. Interest at the rate of 1 per cent per annum over the Bank of England's Minimum Lending Rate on a day-to-day basis may be charged on any overdue amount which may be accepted. Default in due payment of any amount in respect of the Stock will render the allotment of such Stock liable to cancellation and any amount previously paid liable to forfeiture.

Letters of allotment may be split into denominations of multiples of £100 on *written request received by the Bank of England, New Issues, Watling Street,* London, EC4M 9AA, or by any of the Branches of the Bank of England, not later than 25th February 1981. Such requests must be signed and must be accompanied by the letters of allotment.

Letters of allotment must be surrendered for registration, accompanied by a completed registration form when the balance of the purchase money is paid, unless payment in full has been made before the due date, in which case they *must be surrendered for registration not later than 27th February 1981.*

Tender forms and copies of this prospectus and of the prospectus dated 2nd May, 1980 for 13½ per cent Exchequer Stock, 1992, may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA, or at any of the Branches of the Bank of England; at the Glasgow Agency of the Bank of England; at the Bank of Ireland, P.O. Box 13, Donegall Place, Belfast BT1 5BX; at Mullens & Co., 15 Moorgate, London, EC2R 6AN; or at any office of The Stock Exchange in the United Kingdom.

BANK OF ENGLAND
LONDON

23rd January 1981

THIS FORM MAY BE USED

TENDER FORM

This form must be lodged at the Bank of England, New Issues, Watling Street, London, EC4M 9AA not later than 10.00 A.M. ON WEDNESDAY, 28TH JANUARY 1981, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England not later than 3.30 P.M. ON TUESDAY, 27TH JANUARY 1981. Tenders must be in sealed envelopes marked "Exchequer Tender".

ISSUE BY TENDER OF £1,000,000,000
12 per cent Exchequer Convertible Stock, 1985
MINIMUM TENDER PRICE £97.00 PER CENT

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We tender in accordance with the terms of the prospectus dated 23rd January 1981 as follows:—

Amount of above-mentioned Stock tendered for, being a minimum of £100 and in a multiple as follows:—

Amount of Stock tendered for	Multiple
£100—£1,000	£100
£1,000—£3,000	£500
£3,000—£10,000	£1,000
£10,000—£50,000	£5,000
£50,000 or greater	£25,000

1 NOMINAL AMOUNT OF STOCK £

Amount of deposit enclosed, being £40.00 per cent of the nominal amount of Stock tendered for (shown in Box 1 above):—

2 AMOUNT OF DEPOSIT (a) £

The price tendered per £100 Stock, being a multiple of 25p and not less than the minimum tender price of £97.00:—

3 TENDER PRICE (b) £ : p

I/We hereby engage to pay the balance of the purchase money when it becomes due [illegible]

I/We request that any letter of allotment in respect of Stock allotted to me/us be sent by post at my/our risk to me/us at the address shown below.

SIGNATURE

January 1981

PLEASE USE BLOCK LETTERS

MR/MRS/MISS	FORENAME(S) IN FULL	SURNAME
FULL POSTAL ADDRESS:-		
F.T. POST-TOWN	COUNTY	POSTCODE

A separate cheque must accompany each tender. Cheques should be made payable to "Bank of England" and crossed "Exchequer Stock". Cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(b) The price tendered must be a multiple of 25p and not less than the minimum tender price [illegible] must be for one amount and at one price.

STAMP OF LODGING AGENT (IF ANY)

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS — BY FRANCIS GHILES

Waiting for a cue from Reagan

THE EUROBOND markets continued to hibernate last week. Many bankers feel this state of lethargy could well continue until the large U.S. Treasury financing in early February. By then there may be some clearer idea of the new U.S. Administration's economic policy.

In the dollar sector trading was quiet, at least in fixed interest rate issues, where two small bonds were launched, while in the D-Mark sector there was virtually no movement. The Swiss franc sector however was hit, at least as far as new issues are concerned by the strength of the dollar and rising interest rates in Switzerland.

Of the recently offered batch of straight dollar bonds, those which met with little favour when they were launched still appear to be on underwriters' books rather than in investors' portfolios. Lead managers reported some buying interest when prices fell to their lower points earlier in the week. Prices of seasoned issues shed ½ of a point on the week.

Two new issues were lunched, for Svenska Handelsbanken and the EEC. The latter met with a decidedly cool reception, because of its tight terms, and was quoted last Friday at 98¼-⅞.

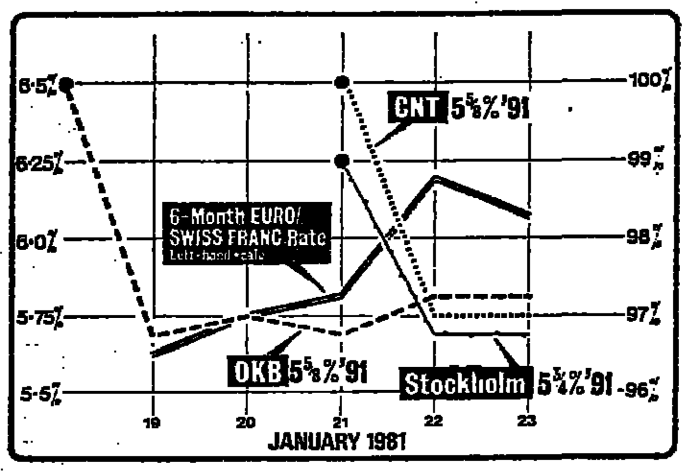
Greater activity was reported in floating rate notes, in which investors were showing more interest for longer dated paper. A small, $15m, convertible issue was launched for Anacomp which has been postponed because of market conditions last December. The issue on offer for Marion was withdrawn because of the cool reception.

D-Mark bonds were quiet with prices shedding ½ of a point on the week. Some activity, however, was reported on the three outstanding bonds for the Industrial and Mining Development Bank of Iran. The 7¼ per cent IMDBI private placement to 1984 moved up 15 points to 75 over the week, as speculators bid for the paper.

The 7¾ per cent IMDBI bond to 1987 moved up nearly four points to 78.80, having already risen by five points since the beginning of the year. Better trading volume than usual was reported in this issue.

No material trading has been reported on the two dollar denominated issues for this borrower, one a 9¼ per cent straight bond to 1983 on which the lead manager, Societé Generale quotes a reference price of 50-55, the other an FRN to 1984 on which the lead manager, Merrill Lynch quotes a reference price of 60.

The deterioration in Swiss franc bonds this week basically affected some of the new issues, which were undersubscribed. This comes as a result of a strong dollar, rising interest rates in Switzerland and withdrawal by the Swiss National Bank of liquidity injected into the banking system for end-year window-dressing. A rise in the rates paid on Banks' medium-term notes is also making investors more cautious.



As the chart shows, the three new bonds which were undersubcribed quickly fell to a discount in trading, but older issues were unaffected, shedding only ¼ of a point on the week. The 5¾ per cent bond to 1991 for Forsmarks which will start trading today is also understood to have met with an unenthusiastic response from investors.

A FFr 225m convertible bond issue will be launched for Lafarge Coppe to day, and the next borrower in this sector is expected to be Gaz de France.

The Samurai sector, closed for two months, has been reopened with a Y20bn issue for New Zealand. New Zealand had been obliged to postpone a planned issue when the market closed last November. Another five new issues are expected to be launched before the spring for Venezuela, Sweden, the Inter-American Development Bank and Asian Development Bank and the World Bank.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡†Bank of Tokyo	75	1991	10	5¼○	100	CSFB, S.G. Warburg	5.319○
‡Prov. of Newfoundland	60	1990	7	13½	99	CCF	13.700
§Marion Intl. Fin. NV	15	1996	15	9	100	Blyth Eastman Paine Webber	9.000
††Kingdom of Denmark	100	1988	7	*	*	Lehman Bros. Kuhn Loeb	*
‡†Christiana Bank	40	1991	10	5¼○	100	CSFB	5.653○
§Nippon Yusen	50	1996	15	7⅜	100	Yamaichi Secs., Kleinwort Benson	7.375
§Cristaloil Intl. Fin. NV	35	1996	15	8½	100	Smith Barney Harris Upham	8.500
‡†C. Itoh	20	1986	5	—	100	Daiwa Secs. (HK), Kleinwort Benson (HK), Orion Pacific	—
§Anacomp	15	1996	15	8½-9	*	Morgan Grenfell	*
‡Svenska Handelsbanken	45	1988	7	13½	100	Nordik Bank	13.750
‡EEC	25	1991	8	13⅛	99½	Nomura (Europe)	13.343
FRENCH FRANCS							
‡Oesterreichische Kontrollbank	400	1986	5	14	100	Paribas	14.000
§Lafarge-Coppé SA	225	1991	10	11	100	CCF	11.000
SWISS FRANCS							
‡**Mitsubishi Oil	40	1986	—	5⅞	100	Credit Suisse	5.875
‡**Fukuyama Transport	50	1986	—	6	100	UBS	6.000
‡**F.G. Hypotheekbank	50	1988	—	6¼	99½	Credit Suisse	6.295
‡**Regie de Telephones et des Telegraphs Bruxelles	100	1987	—	6	100	Morgan Grenfell (Suisse)	6.000
‡Dome Petroleum	100	1991	—	5¾	100	SBC	5.750
‡**Kingdom of Sweden	100	1986	—	6⅛	100	Credit Suisse	6.125
YEN							
New Zealand	20bn	1993	10.3	8½	99¾	Yamaichi Secs.	8.786
LUXEMBOURG FRANCS							
‡**Credit Lyonnais	500	1988	7	11½, 11	100	Kredietbank (Luxem.) Credit Lyonnais (Luxem.)	11.35
GUILDERS							
‡Electricite de France	100	1996	10½	10½	99	ABN	10.868
‡**Pierson Heldring en Pierson	50	1986	5	10½	99½	Pierson Heldring en Pierson	10.383
UNITS OF ACCOUNT							
‡Gaz de France	25	1986	5	9⅝	100	BNP, Banque Bruxelles Lambert	9.625

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ○ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund. ¨ Postponed. Note: Yields are calculated on AIBD basis.

CREDITS — BY JOHN MAKINSON

India gate-crashes the 3/8 club

A NEW name was added last week to the select group of borrowers which can command spreads of less than ½ per cent on the Eurocredit market.

With its $200m credit for the Oil and Natural Gas Commission, India has become the first non-OECD borrower to break the ½ per cent barrier. The ⅜ margin runs only for two years and the average life of the deal is less than five years, but many bankers are still greatly concerned that the credit will set a precedent.

They fear that other respected Asian borrowers may successfully press for similar terms. In the fast growing market of Hong Kong, banks are competing intensely to cement relations with the region's emerging borrowers and to derive fee income from management roles in mandates.

But credits on such fine terms as those obtained by India are becoming increasingly difficult to syndicate widely and the retail end of the busines is drying up. Some bankers already sense that the credit markets are becoming infected by the "bought deal" virus which now plagues the bond markets.

Two European loans illustrated the trend towards narrow syndication last week. Banque Nationale de Paris and Banque de l'Indochine et de Suez emerged as lead managers of a $75m operation for Centrale Nucleaire Europeene a Neutrons Rapides (Nersa), an organisation owned by electric utilities in France, West Germany and Italy.

Electricite de France, which owns the controlling interest in Nersa, is guaranteeing the five-year bullet deal. The terms of ⅜ per cent for two years and ½ for the final three are unexceptional for a French borrower, but the managers are still not envisaging a broad syndication.

Nor is the Libor tranche of Spain's $500m credit likely to attract much interest at the retail level. The deal is fully underwritten with eight banks having confirmed their willingness to participate as lead managers, and two more expected to come in at this level.

The Ministry of Finance in Tokyo is allowing Japanese banks to take an above-average 25 per cent share of the credit.

In Italy, there is still no sign of a mandate for the $1bn earthquake reconstruction loan first hinted at by the Government before Christmas. Italy's state railway, Ferrovie, has, however, set terms on its long-awaited borrowing.

The lead management group, comprising Soditic, S. G. Warburg, IBJ and Banco di Roma, is arranging a 4½-year Eurocredit at seven-sixteenths over Libor, extendable after one year to 5½ years. If extended, the spread on the remaining portion rises to ½ per cent.

In addition, Ferrovie is arranging a 7½ per cent floating rate issue at ¼ per cent over Libor. The notes are convertible into 11½ per cent bonds due 1993. The whole package will amount to between $300m and $500m.

Also in Italy, Finmeccanica has mandated Wells Fargo to arrange a six-year deal for around $100m at ⅝ over U.S. prime or adjusted CD rate.

As already reported, the Kingdom of Sweden is to incorporate an SDR-denominated tranche in its forthcoming Jumbo Eurocredit. The package will total around $1bn and will include an $800m 10-year portion. Morgan Guaranty, which won the mandate, declined to give further details of the deal last week.

The terms of the $250m credit for Agua y Energia of Argentina mark a return to the levels of a year ago. Entel managed to obtain a ⅝ tranche for six years on its recent $100m credit but the deal proved hard to syndicate and ¾ for four years seems likely to establish itself as the norm.

A mandate was understood to be imminent over the weekend for Cadafe of Venezuela.

Quimica de Portugal is raising $40m through an eight-year credit led by Kredietbank Luxembourgeoise and Banco Totta and Acores. An evenly split falling spread of ⅞ and ¾ over Libor is expected.

U.S. BONDS — BY PAUL BETTS

The eccentric affair of the Ms

THE U.S. money markets are playing out their own brand of Agatha Christie which could be described as "the eccentric affair of the Ms."

The M refers to the weekly monetary aggregates which have been behaving like an uncontrolled yoyo during the past fortnight. On Friday, the Fed reported a huge decline of $8.7bn in M1-a, the narrower measure, and a more modest decline in M1-b. The previous week, M1-b rose by a record $11.4bn, while M1-a rose a meagre $1.6bn.

U.S. INTEREST RATES (%)	Week to Jan. 23	Week to Jan 16
Fed funds	18.85	19.75
3-month Treas. Bills	15.65	15.30
3-month CDs	18.00	18.25
30-year Treas bond	12.33	12.22
Lng-term AA Indust.	13.63	13.58
Lng-term AAA Utility	14.38	14.25

Although there are some technical explanations for these remarkable swings, including the introduction of a new type of interest-bearing current accounts which have shifted funds into the M1-b category, Dr. Henry Kaufman, of Salomon Brothers appeared to echo the market's general sentiments on Friday when he said that recent developments "suggest that monetary mechanism is veering out of control."

Dr. Kaufman said the Fed faced a host of problems including the choice of a monetary target. The Fed itself also appears to be treading water while it works out what is going on in the money aggregates to see whether the figures are describing the true picture of the nation's money supply or are being distorted by extraordinary factors.

But, while the rich selection of monetary aggregates — including a five-course menu of Ms and now a new broader measure called Big L — all appear to have individual shortcomings, the market-place remains highly susceptible to the weekly movement in some of the aggregates.

It continues to over-react to any new economic data, and in large measure has lost any sense of perspective of broader economic trends. "You can't blame it," claimed Mr. Thomas Saunders, a managing director of Morgan Stanley. "The amplitude of the market's volatility is overshadowing the trend."

However, although the underlying fundamentals may still argue for lower interest rates, volatility is putting a premium on market timing and flexibility. Moreover, the market is now facing a series of pressures causing further uncertainty.

These include a heavy calendar of new corporate and government issues, including a Treasury $8¼bn re-funding next Wednesday, and eventually $400m of new government guaranteed Chrysler Corporation debentures following the recent approval of the financially troubled car company's latest salvage package.

At the same time, recent data suggests that the economy is stronger and inflation higher than had been expected.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
CECA 11½ 88	100	91	91½	−0⅛	−0⅛	13.42
CFE 13 87	75	*†90¾	91	+0⅛	0	15.28
Citicorp O/S Fin. 10 86	300	87	87½	−0⅛	−0⅛	13.41
Citicorp O/S Fin. 12 87	200	93¾	93⅞	−0⅛	−0¼	13.46
Con. Illinois O/S 9¾ 86	150	85⅜	85⅝	−0⅛	−0⅛	13.69
Denmark 11⅜ 90	100	88½	88⅞	−0½	−0½	13.97
Dome Petroleum 13½ 92	50	96¾	97¼	+0⅛	+0½	14.01
EEC 11 95 (May)	75	84⅛	84⅝	−0⅛	0	13.47
EEC 11 95 (August)	70	82⅞	83⅜	−0⅛	−0⅜	13.71
EIB 13¾ 90	100	98⅞	99⅜	−0⅛	−0⅛	13.88
Eksportfinans 9½ 87	75	83¾	84¼	−0½	−0⅜	13.30
Elec. de France 10 88	125	84⅛	84⅝	−0⅛	+0⅛	13.38
Export Dv. Cpn. 12¾ 87	100	96⅛	96⅝	−0½	−0⅛	13.67
Export Dv. Cpn. 9½ 86	150	85⅜	85⅞	−0½	−0⅛	13.66
Fed. Dev. Bank 12¾ 85	75	95⅝	96⅛	−0⅛	−0⅛	13.52
Fin. Exp. Credit 10½ 85	50	88½	89	+0⅛	+0⅜	14.02
Finland, Rep. of 9½ 86	100	83⅜	83⅞	−0⅜	0	14.17
Ford Credit O/S 14⅝ 83	150	98¾	99¼	−0⅛	+0⅛	15.02
Ford O/S Fin. 12⅝ 85	250	90½	91	−0⅛	+0⅛	16.67
GMAC O/S Fin. 13¾ 85	100	98⅛	98⅝	−0⅛	+0⅛	13.88
GMAC O/S Fin. 12 87	100	91⅞	92⅜	−0⅛	−0⅛	13.90
Gen. Mtrs. O/S 11⅜ 87	100	91⅛	91⅝	−0⅛	−0⅛	13.78
Goodyear O/S 12½ 87	75	95¼	95¾	−0⅛	−0⅛	13.56
Hudson's Bay 11½ 90	75	86⅞	87⅜	−0⅞	−1⅜	14.01
IBM Canada 10½ 85	50	95⅛	95⅝	−0⅛	+1⅛	11.86
Int. Harvester 12¾ 85	115	93⅞	94⅜	−0⅛	0	14.64
J. C. Penney Int. 12⅛ 86	100	95½	96	−0⅛	0	13.51
McGraw 13½ 85	75	†96¾	97¼	0	−0⅛	14.43
NorWest Ind. 13⅜ 87	50	95⅞	96⅜	−0⅛	−0⅛	14.56
Nova Scotia 10⅜ 90	50	86½	87	+0⅛	+0⅜	13.25
OKB 10 85	50	88⅝	89⅛	0	−0⅛	13.41
Pemex 11½ 88	100	85⅝	86⅛	−0⅛	−0⅛	14.67
Quebec Hydro 11½ 92	100	84⅞	85⅜	−1⅛	−2	14.17
Repsteel O/S 11½ 88	100	82¾	83¼	0	−0½	15.45
Royleasa 11¾ 85	50	92¼	92¾	+0⅛	+0⅜	13.57
SNCF 12⅛ 85	50	96⅞	97⅜	−0½	+0⅛	13.32
Sweden 12¾ 85	150	95	95½	−0½	−0⅜	13.77
Swed. Ex. Credit 12½ 85	40	94¾	95¼	0	−0⅛	14.08
Swed. Ex. Credit 12 83	50	94½	95	−0⅛	−0⅛	14.41
Transamerica 12⅞ 83	50	95½	96	−0⅛	+0⅜	14.29
Unilever NV 9¾ 90	100	81⅞	82⅜	−0⅛	−0⅛	13.13
World Bank 9¾ 85	200	87⅞	88⅜	−0⅛	−0⅛	13.50
World Bank 10¾ 87	300	86⅜	86⅞	−0⅛	−0⅛	13.45

Average price changes... On day −0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8½ 90	100	93	93½	0	−0½	9.43
Australia 8¾ 90	250	96¾	97¼	+0⅛	+0⅜	8.59
Austria, Rep. of 8½ 92	150	93	93½	−0⅛	−0⅜	9.21
BFCE 8⅜ 95	100	†92⅝	93⅛	−0⅛	−0½	9.08
CECA 7⅞ 92	150	†92	92½	−0⅛	−0⅛	8.96
Cll-Honeywell 8½ 90	125	†95⅞	96⅜	−0⅛	+0⅛	9.07
Denmark 8¾ 92	100	†95⅞	96⅜	+0⅛	+0½	8.83
EIB 8½ 90	200	96½	97	+0⅛	+0⅛	9.02
ESCOM 9¾ 87	100	97½	98	0	0	9.70
Iberduero SA 9 90	100	†98	98½	0	−0⅛	9.25
Ind. Bk. Finland 8½ 90	50	†93⅞	94⅜	+0⅛	−0⅛	9.39
Japan Air Lines 8¼ 87	100	96	96½	0	−0⅛	8.87
Japan Dev. Bk. 7⅝ 87	100	92¾	93¼	−0⅛	−0⅛	9.04
Kobe, City of 8 90	100	93⅞	94⅜	+0⅛	−0⅛	8.93
Midland Int. Fin. 8½ 90	150	96½	97	−0⅛	+0⅛	9.02
Norway 7½ 85	250	96⅝	97⅛	−0⅛	−0⅛	8.42
Nuclebras 9¾ 88	100	†91½	92	−0⅛	−0⅜	11.40
OKB 8¼ 92	150	†92½	93½	+0⅛	−0⅛	9.25
Oslo, City of 8¾ 90	80	99⅜	99⅞	0	−0½	8.83
Venezuela, R. of 9¾ 90	150	97½	98	−0⅛	0	10.11
World Bank 8 90	700	91⅞	92⅜	−0⅛	−0⅛	9.24
World Bank 10 86	150	105	105½	−0⅛	−0⅛	8.67
World Bank 10 90	200	105	105½	+0⅛	−0⅜	9.10

Average price changes .. On day −0⅛ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria, Rep. of 5½ 90	100	96½	97	−0⅞	−1½	5.80
Bayer Int. Fin. 5¼ 92	100	99¼	99½	−0¼	−0½	5.32
Bergen, City of 6 90	50	100¾	101	0	+0¼	5.87
Buhrm'n-Tetterode 7 90	40	105	105½	0	+0½	6.23
Copenhagen Tele. 5¾ 90	60	95	95¼	+0¼	−0½	6.44
Denmark 5⅞ 90	80	95¾	96	+0½	−0¼	6.34
EIB 4¾ 94	100	88¾	89¼	+1½	+0¼	5.84
Elec de France 5¼ 90	100	98¾	98⅞	−0⅞	−0½	5.42
Eurofima 5⅝ 92	80	101½	101¾	+0¼	+0¼	5.55
F. G. H. Hypo. Bk. 6 90	50	†101½	102	+0¾	−0¾	5.75
Finland, Rep. of 5⅝ 90	80	93¾	94	−0¼	−0¼	6.50
GZB 4¾ 88	100	88¼	88½	−0¼	−1½	6.32
Int.-Amer. Dev. 7 90	80	104¾	104½	−0½	0	6.34
Japan Dev. Bk. 5¾ 90	100	101¼	101½	+0½	−0½	5.56
Jutland Tele. 5½ 90	50	†94½	95	−0½	−0½	6.28
Mt. Blanc Tunnel 5½ 90	60	97½	97⅞	+0¼	−0¼	5.81
Newag 5⅝ 90	80	99¾	99⅞	−0¾	+0¼	5.78
Nippon Tel. & T. 4¾ 89	100	93	93¼	0	−0½	5.25
Norges Komm. 4½ 91	100	86½	86¾	−0¼	−0¼	6.11
OKB 4½ 91	100	†87	87½	−0¼	−2½	6.02
OKB 6 90	100	100⅞	101½	−0¼	−0⅞	5.85
Oslo, City of 4½ 91	100	86	86¼	−0¼	0	6.18
Oslo, City of 5⅞ 90	80	100¼	100½	−0¼	−0¼	5.82
Philips Lamps 5¾ 92	100	95⅞	96⅛	0	−0¼	5.73
Sekisui Pre. Hms. 6 90	80	100½	100¾	−0¾	−1	5.91
Shikoku El. Pwr. 4¾ 89	100	86	96¼	+0¼	+2½	5.32
Trade Dev. Fin. 6½ 90	50	95¼	95½	0	−0½	6.31
Voest-Alpine 5¾ 90	80	98⅝	98⅞	0	+1½	5.92

Average price changes... On day 0 on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	91½	92¼	0	+0¼	8.90
Australia 6½ 88	20	87⅞	88⅞	0	0	8.74
EIB 7¾ 89	12	92⅞	93⅞	+0¼	+0¾	8.85
Finland 5.6 83	10	90¾	91¾	0	+0½	9.28
Finland 6.8 88	10	87	88	+0½	+0½	9.25
Finland, Rep. of 8½ 87	15	95⅛	96⅛	+0½	+0½	9.24

Average price changes... On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10⅝ 86 C$	60	91¼	91⅞	0	+0⅛	12.91
CIBC 13½ 85 C$	50	†98½	99¼	−0½	−0¼	13.80
CIBC 11½ 85 C$	60	†93	93¾	−0⅛	−0⅛	13.51
Federal Dev. 11½ 90 C$	60	†85½	86½	−0⅞	−1	14.24
Fst. Can. Inv. 10 84 C$	50	†90	90¾	0	+0⅛	13.78
R. Bk. Canada 10 86 C$	40	90	91	−0½	+0⅛	12.52
Tordom Cpn. 13½ 85 C$	30	†98	98¾	−0⅛	−0½	13.96
M. Bk. Dnmk. 9 91 EUA	25	91	92¼	0	−0⅛	10.31
SOFTE 8¾ 89 EUA	40	87¼	88½	0	0	10.51
U. Bk. Nrwy 9½ 90 EUA	18	98½	99¼	0	−0½	9.84
Bk. Mees & H. 10 85 Fl	75	101	101½	0	0	9.61
F. G. Hypo 9¼ 87 Fl	60	93⅞	94⅜	0	+0⅛	11.02
Heineken NV 10 87 Fl	100	97	97½	0	−0⅛	10.58
Nat. Inv. Bk. 10 87 Fl	75	97⅜	97⅞	+0⅛	+0⅛	10.49
Nat. Neder. 9½ 87 Fl	60	94⅞	95⅜	−0⅛	+0⅛	10.54
Ned. Midd. Bk. 10 85 Fl	75	100¾	101¼	−0⅛	−0⅛	9.69
Aero. Paris 13½ 87 FFr	150	96⅝	97⅛	−0⅛	+0⅛	13.77
Charb'nages 13⅞ 85 FFr	400	99¼	100¼	−0¼	−0⅛	13.92
CECA 14⅝ 88 FFr	150	100	101	−0⅞	−0⅛	14.07
EIB 14⅛ 88 FFr	300	99⅜	100⅜	−0⅜	+0⅛	14.15
Finland 11 84 FFr	80	91	92	−0¼	+0⅞	14.03
Gaz de France 11 84 FFr	150	92	93	−0⅛	+0⅛	13.63
La Redoute 14½ 85 FFr	125	96⅞	97⅞	−0¼	−0⅛	15.15
Renault 9⅞ 85 FFr	100	84⅝	85⅝	−0½	+0⅛	14.46
Utd Mex Sts 14 85 FFr	150	98¼	99¼	−1⅛	−0⅜	14.34
Acona 14 85 £	20	94¼	95¼	0	−0¼	15.58
Beneficial Fin. 14¼ 90 £	20	94⅛	95⅛	+0⅛	+0⅜	15.30
Beneficial Fin. 14⅜ 90 £	20	94⅛	95⅛	+0⅛	+0⅜	15.29
BNP 13½ 91 £	15	96	96⅝	−0⅛	+0⅜	14.20
CECA 13½ 88 £	20	96½	96⅞	−0¼	+0⅞	14.24
Citicorp O/S 13½ 90 £	50	96	96⅝	0	+0⅛	14.23
Fin. for Ind. 14½ 88 £	20	100¼	101	+0⅛	+0⅛	14.33
Fin. for Ind. 13⅜ 87 £	20	97⅛	98⅛	+0⅛	+0⅞	14.25
Gen. Elec. Co. 12½ 89 £	50	93⅞	94⅞	0	+0⅞	13.69
Peugeot SA 14 90 £	23	94⅞	95⅞	+0¼	+1⅛	14.92
Rothschild 14¼ 90 £	12	97⅛	98⅛	−0⅛	+1⅛	14.65
Swed. Ex. Cr. 15¾ 85 £	20	102½	103¼	0	+0⅛	14.24
Banobras 8¼ 90 KD	7	†87⅛	87⅝	0	0	10.43
CCCE 8½ 91 KD	10	†81½	82	0	0	11.22
Sonatrach 8½ 90 KD	12	†88½	88⅝	0	0	10.52
Akzo 8¼ 87 LuxFr	500	91	92	0	+0⅞	11.08
Euratom 9⅜ 88 LuxFr	500	95	96	+0⅛	+0⅞	10.70
Eurofima 10½ 87 LuxFr	500	98⅛	99⅞	0	−0⅛	10.72
EIB 9¾ 88 LuxFr	600	96⅜	97⅛	0	+0⅛	10.43
Volvo 9¾ 87 LuxFr	500	90¾	91¾	0	+0⅜	11.69

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0⅛	98¼	98¾	2/7	16⅝	16.88
Bank of Montreal 5¼ 90	0⅛	99⅝	100⅛	18/6	19½	19.52
Bank of Tokyo 5¼ 89	‡0⅛	97⅞	98½	25/1	13.94	14.20
BBL Int. 5 88	0¼	97¾	98¼	20/5	16½	16.84
Bergen Bk. A/S 6 88	‡0¼	97⅝	98⅛	29/2	19.19	18.58
BNP 5½ 88	0⅛	98⅞	99⅜	29/1	14.44	14.57
CNT 5¼ 86	§0¼	97⅞	98⅜	16/4	13⅛	13.50
Citicorp O/S F. 84	‡0	99⅜	99⅞	31/1	18⅜	18.44
C. Itoh 5¼ 87	0¼	97⅝	98⅛	18/3	12⅞	13.15
Co-operative Bk. 6 86	0¼	97⅛	97⅝	15/5	15¾	15.64
Den Norske Credit 6 90	0¼	97⅝	98⅛	5/2	15¾	16.09
Genfinance 5¼ 87	0⅛	97¾	98¼	30/4	15⅛	15.43
Giro und Bank 5¼ 91	0¼	98⅛	98⅝	23/3	20½	20.84
GZB 5½ 89	‡0¼	98⅛	98⅝	1/2	15.08	15.29
Jugobanka 8 89	0⅞	†91	93	23/5	18⅝	18.71
Ind. Bank Japan 5¾ 87	0¼	97½	98	15/4	13.31	13.62
Ind. Bank Japan 5¼ 88	0⅛	97	97½	9/4	13⅛	13.50
Lloyds Eurofin 8 90 £	0⅛	94¾	95¼	3/7	14½	15.26
Lloyds Eurofin 5¼ 92	0¼	97¾	98¼	4/6	17¼	17.60
LTCB Japan 5¼ 86	0¼	100⅜	100⅞	13/6	20.19	20.06
Man. Hanov. O/S 5¼ 94	‡0⅛	98	98½	29/2	18⅛	18.45
Midland Intl. Fin. 5 89	0⅛	99¾	100¼	30/6	19.56	19.56
Midland Intl. Fin. 5¼ 92	0⅛	97⅞	98⅜	5/6	17.19	17.54
Nacional Fin. 6⅛ 86	0¼	98½	99	25/1	9.69	9.81
Nat. West. 5¼ 94	§0¼	96	96½	14/4	13⅛	13.77
Nat. West. 5¼ 92	§0¼	96⅛	96⅝	23/4	13.89	14.18
Nippon Credit 5¼ 87	‡0⅛	98⅞	99¼	6/2	16.06	16.23
Sparebanken 6 87	0⅛	98⅝	99⅛	19/6	19⅞	20.10
Standard Chart. 5¼ 90	0⅛	97⅝	98⅛	6/3	12.06	12.37
Svenska Hndlsbk. 5 87	0¼	98⅞	99⅛	15/7	17.81	17.97
Bq. Ex. d'Alg. 4¼ 89 SF	0⅛	†90	91	19/6	7½	8.29

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	103⅞	105⅛	−0⅛	12.85
Canon 6⅞ 95	1/81	829	114½	115¼	−3¼	1.66
Crédit Suisse 4¼ 93	10/79	1278	109⅝	111⅝	−1⅞	−4.10
Digicon Fin. 8½ 95	10/81	29.5	99	100½	0	13.18
Ensearch Fin. 9½ 94	7/80	30.25	166	167	−4	−2.65
Hanson O/S Fin. 9½ 95	1/81	1.92	101½	102¼	−0⅛	−1.77
Ina Overseas 8¾ 2000	4/81	42	100½	102	0	9.74
Inchcape Ltd. 8 95	2/81	4.55	97¾	98¾	−1¼	−2.69
Jacca 7½ 95	11/80	565	128⅛	129⅛	−2⅛	−1.99
Marion Int. Fin. 9 95	12/80	23.25	97	98¼	−2⅛	0.30
Matsushita El. 7½ 95	11/80	590	102⅜	103⅜	−0⅛	6.66
MEPC 8¾ 96	2/81	2.47	93¾	94¾	+0⅛	4.94
Niigata Eng. 7½ 96	1/81	327	107½	108½	+0⅛	−0.92
Nissho-Iwai Co. 8 96	10/80	398	96	97	−1	−2.02
Ricoh 6⅞ 95	8/80	604	124⅛	125⅛	−2½	−0.18
Sumitomo M. Ind. 7 95	2/81	161	110¾	111¾	−0⅛	0.13
Swiss Bk. Con. 6½ 90	9/80	200	91	93	−1½	8.06
Taylor Woodrow 8¾ 90	1/81	4.94	94½	95½	−0⅛	1.14
Transco Inc. 8¾ 95	2/81	68	94	95½	−0½	22.72
Tricoro 8½ 95	12/80	31.25	91½	93	−0½	24.66
Union Bk. Switz. 5 89	2/80	121.4	90	92	−1	−12.96
Fujitsu 5 84 DM	7/79	431.5	142½	143½	−2½	−2.85
Sharp Cpn. 6½ 88 DM	9/80	585	134½	135½	+0½	−2.46
Uny Co. 6½ 85 DM	11/79	967.3	111⅛	112⅞	−0½	−1.79

BONDTRADE INDEX AND YIELD	Medium term		Long term	
Jan. 23	n.a.	n.a.	n.a.	n.a.
Jan. 16	n.a.	n.a.	n.a.	n.a.
High '81	n.a.	n.a.	n.a.	n.a.
Low '81	n.a.	n.a.	n.a.	n.a.

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week	1,560.9	3,808.9
Previous week	1,752.6	4,246.6
Other bonds		
Last week	402.3	415.3
Previous week	358.0	336.4

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Secs.) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on January 23

WORLD STOCK MARKETS

NEW YORK

1980-81 High	Low	Stock	Jan. 23
49¾	27½	ACF Industries	49¾
26⅞	11⅝	AMF	21⅝
24⅝	12⅞	AM Intl	15⅝
36½	25	ARA	32¾
51	37½	ASA	57
44½	17	AVX Corp	29½
53½	34½	Abbotts Labs.	54½
33½	19	Acme Cleve	26
70½	29½	Adobe Oil & Gas	49½
40	30	Aetna Life & Cas	33½
24½	15	Ahmanson (H.F.)	18½
54	32⅝	Air Prod & Chem	43⅛
16½	8¾	Akzona	13
39½	23½	Albany Int.	32¾
16½	7⅝	Alberto-Culv.	14⅛
24½	16½	Albertson's	21⅝
58½	23	Alcan Aluminium	32
37½	25⅝	Alco Standard	35
44¼	23½	Alegheny Ludm.	38½
61¼	42½	Allied Chemical	49⅝
25	18½	Allied Stores	21⅞
36½	23	Allis-Chalmers	34
16	12	Alpha Portd.	14½
75½	53	Alcoa	62
65⅝	23½	Amal. Sugar	49½
58½	39⅛	Amax	41½
52½	20½	Amerada Hess	41
11½	6¾	Am. Airlines	9⅞
87¾	59	Am. Brands	77⅛
38	25⅛	Am. Broadcastg	27⅝
36¼	27½	Am. Can	30⅛
37½	23½	Am. Cyanamid	29⅞
19¾	15½	Am. Elect. Pwr	16⅞
86½	25½	Am. Express	41½
40½	25½	Am. Gen. Insnce.	38½

1980-81 High	Low	Stock	Jan. 23
46	35	Columbia Gas	39½
44½	27	Columbia Pict.	43½
20¾	16⅞	Combined Int.	18
53⅝	23½	Combustn. Eng	42⅝
22⅞	16½	Cmwlth Edison	18½
51⅛	30¾	Comm. Satellite	42½
29½	16	Comp. Science	20½
45¼	31½	Cone Mills	33¼
50½	29½	Conn Gen Ins	43⅝
72⅞	41⅞	Conoco	60⅝
24⅛	14⅛	Conrac	19
26½	20	Cons Edison	24½
27	20	Cons Foods	24½
29⅝	15½	Cons Freight	26⅝
56⅝	37¾	Cons Nat Gas	52
21½	15½	Consumer Power	16½
12	6¾	Cont Air Lines	10⅝
30½	22	Conti Corp.	24⅝
35⅝	25⅝	Conti Group	32½
34½	21⅝	Conti Illinois	31½
16⅛	12¾	ContiTelep	15½
77⅛	44⅝	Control Data	65⅞
61⅝	29⅝	Cooper Inds.	50
20½	9½	Coors Adolph	15½
27⅞	18½	Copeland	26½
26½	16½	Copperweld	34½
74½	45⅝	Corning Glass	60½
29¼	20	Corroon Black	21½
61	30	Cox Broadcast'g	53
47¼	31½	Crane	42
58	24⅝	Crocker Nat	56½
33½	23	Crown Cork	31¼
61	33¾	Crown Zell.	47½
37¼	23	Cummins Eng.	51½

1980-81 High	Low	Stock	Jan. 23
46½	30⅞	Chubb	38⅝
37½	18	Cincinnati Mil.	30½
24½	17½	Citicorp.	21½
50½	27½	Cities Service	49⅝
29	14½	City Investg.	23½
39⅝	29⅝	Clark Equipment	55½
37⅝	26	Cleve Cliffs Iron	33½
11½	8	Clorox	10½
11½	6½	Cluett Peaby	10
38	28½	Coca Cola	33½
9½	4	Coca Btl. NY	9¼
17½	11⅝	Colgate Palm.	14½
9½	6¼	Col ins Aikman	9½
55½	35½	Colt Inds	44½

1980-81 High	Low	Stock	Jan. 23
29½	19½	Genuine Parts	28½
35½	22⅛	Georgia Pac.	26½
65½	31½	Geosource	50¾
27½	17⅛	Gerber Prod.	27½
104½	68½	Getty Oil	86½
41½	18½	Giddings Lewis	35½
31	18½	Gillette	27½
73⅝	18½	Global Marine	65½
25½	16½	Goodrich (BF)	22⅝
18½	10½	Goodyear Tire	17½
28⅞	20	Gould	26½
62½	35½	Grace	55½
39⅞	25½	Grainger (WW)	34⅝

Indices

NEW YORK —DOW JONES

	Jan. 23	Jan. 22	Jan. 21	Jan. 20	Jan. 19	Jan. 16	1980-81 High	1980-81 Low	Since Cmpil'tn High	Since Cmpil'tn Low
♦Industr'ls	940.19	940.44	945.25	950.69	970.99	975.22	1004.69 (6/1/81)	759.13 (21/4)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	64.51	64.50	65.58	65.55	65.52	65.61	76.61 (25/6)	60.96 (18/12)	—	—
Transport.	391.81	392.05	392.46	394.68	403.59	401.98	425.73 (28/11)	253.63 (27/3)	425.66 (28/11/80)	10.25 (8/7/32)
Utilities	111.79	115.00	115.80	116.50	114.35	113.22	117.51 (5/1/81)	95.04 (27/3)	163.32 (20/4/69)	10.5 (28/4/42)
Trading Vol 000's	37,220	59,680	52,190	41,750	56,470	45,250	—	—	—	—

♦Day's high 947.10 low 934.30

	Jan 16	Jan. 9	Jan. 2	Year ago (approx)
Ind. div. yield %	5.58	5.61	5.59	6.40

STANDARD AND POORS

	Jan. 23	Jan. 22	Jan. 21	Jan. 20	Jan. 19	Jan. 16	1980-81 High	1980-81 Low	Since Cmpil'tn High	Since Cmpil'tn Low
‡Indust'ls	147.95	147.90	149.10	149.40	152.54	155.20	160.96 (28/11)	111.09 (27/3)	160.96 (28/11/80)	3.52 (30/6/32)
§Composite	130.25	130.26	131.56	131.65	134.77	134.77	140.52 (28/11)	98.22 (27/3)	140.52 (28/11/80)	4.40 (1/6/32)

	Jan. 22	Jan. 14	Jan. 7	Year ago (approx)
Ind. div. yield %	4.53	4.45	4.59	4.97
Ind. P/E Ratio	9.30	9.41	9.52	8.14
Long Gov. Bond Yield	12.13	11.75	11.52	10.68

N.Y.S.E. ALL COMMON

Jan. 23	Jan. 22	Jan. 21	Jan. 20	1980-81 High	1980-81 Low
74.72	74.76	75.39	75.61	81.02 (28/11)	55.30 (27/3)

Rises and Falls	Jan. 23	Jan. 22	Jan. 21
Issues Traded	1,872	1,855	1,897
Rises	683	468	554
Falls	775	1,024	950
Unchanged	414	573	593
New Highs	—	25	10
New Lows	—	20	19

MONTREAL

	Jan. 23	Jan. 22	Jan. 21	Jan. 20	1980-81 High	1980-81 Low
Industrials	565.32	570.52	578.27	574.12	405.83 (22/2)	251.31 (27/3)
Combined	346.48	351.35	352.71	356.51	378.96 (20/10)	256.50 (27/3)
TORONTO Composite	2224.0	2235.1	2243.8	2249.0	2402.2 (26/11)	1702.5 (27/3)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Gulf Oil	1,439,900	40½	−½
Texas Intl.	833,200	58	−4
Cin. Gas Edison	502,100	24¾	−⅛
Sperry	478,700	42	−½
General Motors	452,500	45¼	−½
Texaco	342,200	44	−½
NLT	328,600	34½	−1¼
Mobil	319,200	77⅛	−1½
ATT	317,400	49¾	−½
Sears Roebuck	307,070	15⅝	—

	Jan. 23	Jan. 22	Jan. 21	Jan. 20	1980-81 High	1980-81 Low
AUSTRALIA All Ord. (1/1/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Metal & Minrls. (1/1/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRIA Credit Aktien (2/1/62)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BELGIUM Belgian SE (31/12/63)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	92.42 (7/1/81)
DENMARK Copenhagen SE (1/1/73)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	74.75 (5/5)
FRANCE CAC General (29/12/61)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind Tendance (31/12/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GERMANY FAZ Aktien (31/12/58)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Commerzbank Dec. 1953	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	667.0 (27/3)
HOLLAND ANP-CBS General (1970)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	74.0 (27/3)
ANP-CBS Indust. (1970)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HONG KONG Hang Seng Bank (31/7/64)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ITALY Banca Comm. Ital. (1972)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
JAPAN Dow Average (16/5/49)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo New SE (4/1/68)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	445.01 (10/3)
NORWAY Oslo SE (1/1/72)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SINGAPORE Straits Times (1966)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SOUTH AFRICA Gold (1958)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Industrial (1958)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SPAIN Madrid SE (30/12/73)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100.0 (30/12/80)
SWEDEN Jacobson & P. (1/1/58)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWITZERLAND Swiss BankCpn. (31/12/58)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WORLD Capital Intl. (1/1/70)	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u unavailable.

FINANCIAL TIMES SURVEY

Monday January 26 1981

AUSTRIA

With its peaceful industrial relations Austria remains a quiet haven of affluence. But a flagging economy and political infighting have posed some unfamiliar problems.

Doubts begin to take hold

By W. L. Luetkens

THE MUCH admired Austrian system of political and social consensus is undergoing its severest test yet. The economic outlook is cloudy. But, far more important, the exit of Dr. Hannes Androsch, Minister of Finance, Vice-Chancellor, and once the chosen successor of Dr. Bruno Kreisky, the Chancellor, has encouraged widespread cynicism about how the country is run.

Dr. Androsch this month resigned and retired from politics, having become the target of a fusillade of unsubstantiated allegations. They go back to 1978, when it became public knowledge that the Finance Minister at the same time was part owner of a very successful accountancy firm.

In a country where backstairs influence and tax evasion are commonplace, that may have been accepted as tolerable, though neither Dr. Kreisky nor the main opposition party thought so.

But Dr. Andrasch's position began to become hopeless when, beginning last summer, a series of allegations were published linking a former partner in the consultancy—though not the Minister himself—with a story of corruption and kickbacks in the construction of a big hospital in Vienna.

The real battle soon ceased to be about Dr. Androsch's political career and turned to his wish to become Chief Executive of Creditanstalt Bankverein (CA), the largest Austrian joint stock bank, a majority of whose shares are owned by the Government.

In keeping with Austrian patterns, the supervisory board, which elects the Chief Executive, had been appointed on party lines, and the battle was carried out accordingly.

What made it crucial to the Austrian system was that the bank had hitherto been run by a so-called "black," meaning a member of the opposition camp of the People's Party. The smaller of the two big joint stock banks, Laenderbank, by tradition is "red." With Dr. Androsch's arrival as Chief Executive of CA both banks—and their industrial empires—would be "red." He already has been made a board member and deputy to the Chief Executive.

Dr. Androsch is not a political "red" in any sense but the Austrian. During his career as Finance Minister he has had more than one dispute with Dr. Kreisky—himself no Marxist dogmatist—because Dr. Androsch followed a more market-oriented economic line.

Kreisky-style Socialists may be a bit more interventionist than the People's Party. They may be more inclined to bail out ageing industries, many of which are State-owned, than is the People's Party with its backing from private industry and Austria's myriad small entrepreneurs and peasants.

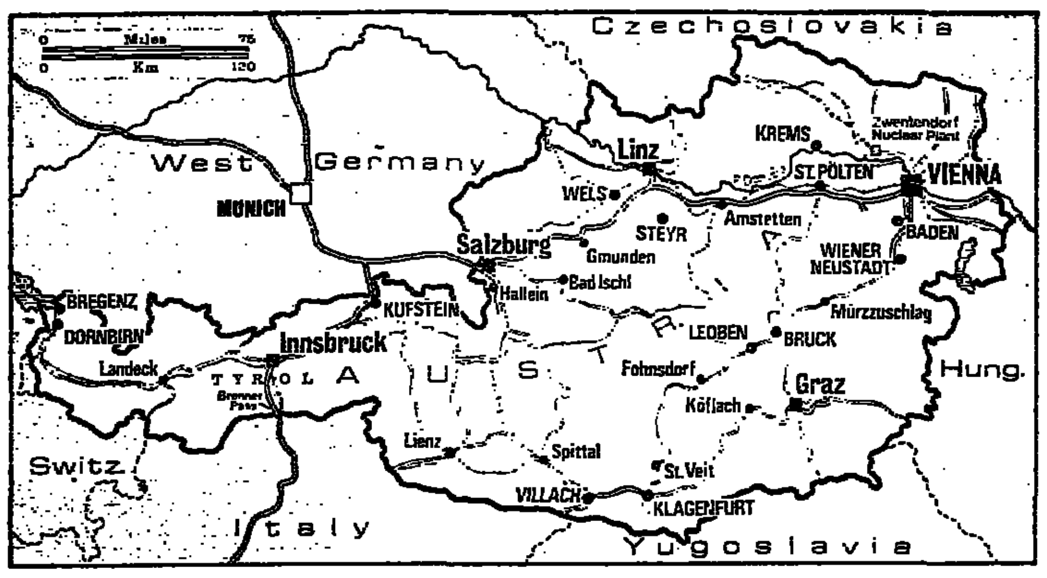
But Dr. Kreisky has always had a special appeal to non-Socialists, which gives him the highest popularity ratings and which he must protect.

Backing

At bottom the two parties, and even the small Free Democratic Party in between, are there to find jobs for their members. It may no longer be true that you cannot become a tram conductor in Vienna unless you belong to the Socialist Party. But you don't become a bank director—let alone chief executive of one of the Big Two with more pay than the Federal President—unless you have the appropriate political backing.

Under these circumstances, the fall of Dr. Androsch is unlikely to bring about a profound change of Austrian economic policy. A little more Keynianism may be attempted—even though Dr. Androsch's own excursions in that direction landed the country with budget and external deficits which he found difficult to control.

There may be more doubts about the hard currency policy pursued in the face of a current account deficit of Sch27bn (£800m) last year (including the net errors and omissions in the official figures which are considered to be more of a current than of a capital nature). But the appointment of Professor Hans Seidel, a solid economist, as Under-Secretary to the new Finance Minister, Dr. Herbert Salcher, does not sound as though there will be more than a touch of the tiller.



Things could change if the economy continues to do worse than the zero growth forecast for 1981 and the unions become restive under growing unemployment. The unemployment ratio has been hovering below the 2 per cent mark but is expected to go close to 2½ per cent this year and could go higher.

The unions have already trimmed their sails: the long term aim of Herr Anton Benya, President of the trades union federation, of at least a slight real wage increase each year has been tacitly dropped. Wages this year will probably do no more than match last year's inflation rate of about 6½ per cent.

That is part of the Austrian practice of "social partnership" or industrial consensus. But consensus does have its price. One reason for the low unemployment ratio is the willingness of employers in both State-owned and private industry to avoid redundancies wherever possible. Reverse side of the medal: the State and the banks it owns have been willing to support several concerns through liquidity crises at great cost. Some industries that may no longer have a viable future in Austria have been coddled unduly.

There is widespread agreement that Austrian industry needs restructuring if it is to earn the foreign exchange to pay for a growing deficit of the energy balance. But there is little agreement precisely what should be done and how.

The opposition is unhappy, as is industry, about the heavy subsidies paid to General Motors for its planned branch plant near Vienna. They are part of an attempt to offset the heavy outgoings for imports of motors cars, which have continued to grow in spite of the energy crisis. The critics say that Austria would do better to back modern technologies, and, given the size of the country and its very high labour costs, that argument makes sense.

Progress with the whole question of restructuring has been slow, partly because the Androsch affair monopolised attentions for months on end. That order of priorities has created palpable dissatisfaction among many young people, and especially among young business executives.

To them the whole "Black v. Red" game is something rather artificial, unless they seek a career in the public or publicly-controlled sectors. To them, also, the failure to come to clear conclusions about the possibility of generating nuclear power (discussed elsewhere in this survey) is a sign that the powers that be are preoccupied by the wrong problems.

It would be wrong to conclude that Social Partnership and the practice of consensus are in immediate danger. The young can see the high prosperity that it has brought to Austria. But the People's Party leader, Dr. Alois Mock, muses that each time the delicate balance of social partnership is rocked, its appeal to the young is a little diminished.

Even the rewards may be diminishing. For this year the economic outlook is zero growth, yet there will be no corresponding falling off of the current deficit or of the inflation rate.

A prominent Austrian with more than the usual talent for self-irony summed it up perfectly. Austrians like to describe their country, with a pinch of salt, as the Isle of the Blessed. Now, he said, it would be the Isle of the Half-Blessed.

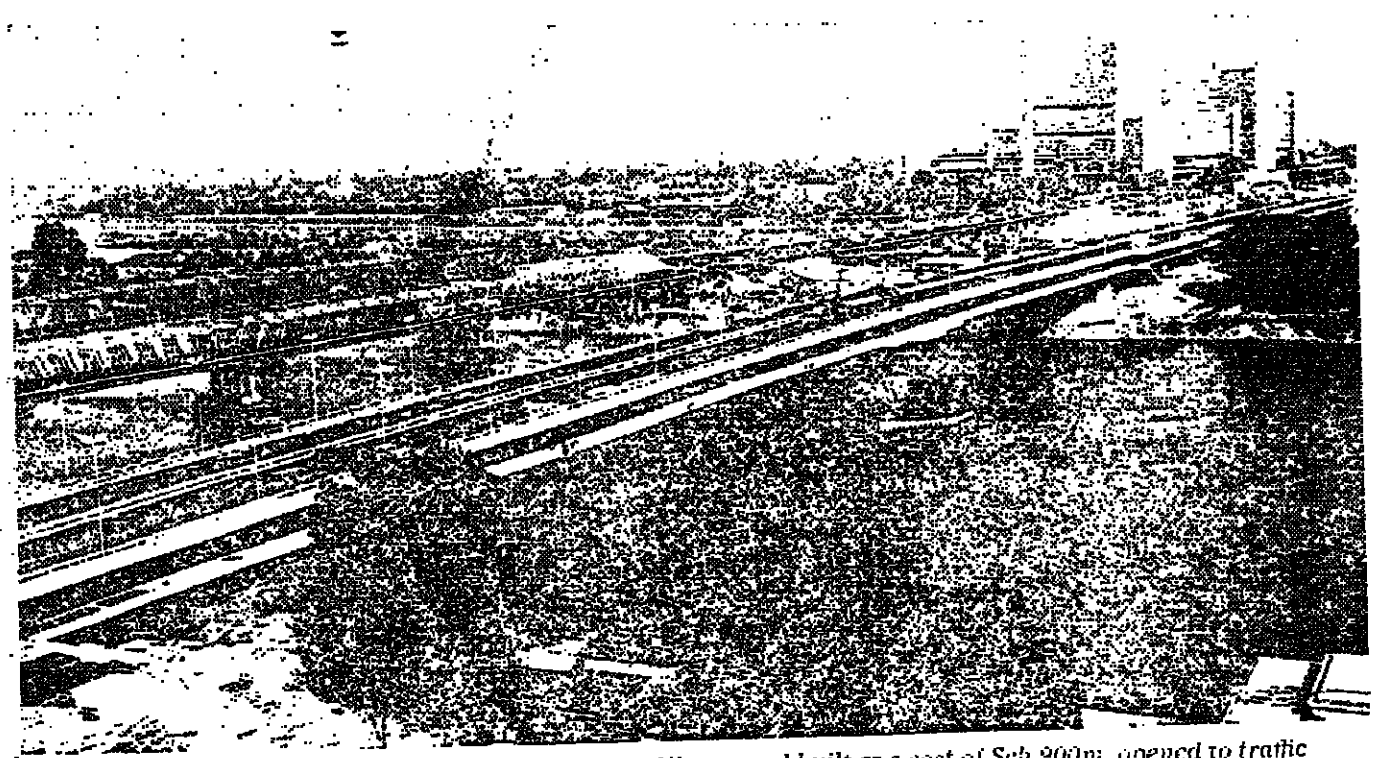
THE AUSTRIAN RECORD

	Realth growth		Differential	Current account*	
	Austria	OECD trading partners	Austria—OECD	Including/Excluding Energy	
	Percent		Percentage points	Percent of GDP	
1974	4.3	1.5	2.8	−0.3	+1.8
1975	−1.7	−2.2	0.5	−1.0	+2.6
1976	5.8	4.7	1.1	−0.1	+0.7
1977	4.4	2.5	1.9	−2.2	−1.0
1978	1.0	3.0	−2.0	−3.7	+1.8
1979	5.1	3.6	1.5	−0.7	+1.5
1980†	3.5	1.75	1.75	−2.5	+2.1

This table, published towards the end of 1980, by the Austrian Consultative Committee for Economic and Social Questions, shows how Austria has out-performed average OECD growth, but also how dependence on imported energy has seriously aggravated the current account deficit.

* *Includes the net errors and omissions as published in balance* of payments tables; † estimate.

CONTENTS



The new Reichsbruecke, spanning the Danube at Vienna and built at a cost of Sch 900m, opened to traffic in November last year

Exchange rate policy may have emphasis changed

ECONOMY

W. L. LUETKENS

THE ABILITY of Austria's economic policymakers to swim against the tide is becoming more and more restricted. The economic forecasts for 1981 do not look too bad by international standards, but a marginal rise of unemployment is expected and the external and budgetary deficits are proving hard to control.

For the outside world, the most immediately interesting question is the exchange rate policy that will be pursued after the shuffle of Dr. Bruno Kreisky's Socialist Cabinet. Despite large current account deficits, Vienna has relied on capital imports and a restrictive monetary policy to keep up its traditional policy of maintaining a "hard" schilling. Neither in the National Bank nor in the Chancellery of Dr. Kreisky is any intention detectable to break dramatically with that policy, though the Chancellor has had doubts about it at times.

Differences of emphasis may occur. Austria will still behave more or less like an honorary member of the European Monetary System, but may loosen its traditional though by no means slavish adherence to the German Deutsche Mark as its main monetary guiding light.

In the past 12 months or so the schilling was actually allowed to gain 1½ per cent against the German currency, though the weakness of the Deutsche Mark and the recent strength of the pound and the dollar have contributed to a 2½ per cent nominal reduction of the trade weighted Austrian exchange rate.

If the Deutsche Mark should once again strengthen in the EMS system, the Austrian authorities may not wish to go along all the way, in order to give their hard-pressed exporters a measure of support. But they have to watch carefully lest an adverse movement of the exchange rate raises the schilling price of imported oil and, with it, domestic costs expressed in schillings. An inflation rate significantly higher than the moderate rates of recent years would quickly nullify any stimulatory effect upon exports that a possible nominal devaluation might bring.

Chancellor Kreisky (left) and Dr. Alois Mock, Leader of the Austrian People's Party.

ECONOMIC FORECASTS

	Growth of GDP per cent	Balance of trade Sch bn	Current balance† Sch bn	Consumer prices % increase	Unemployment ratio per cent
1981	−0.5-0.0	−83	−20	6.0	2.3-2.4
1980	3.5	−88	−27	6.3	1.9
1979	5.1	−60	−18	3.7	2.0

† Including errors and omissions.
Sources: Wifo and IHS, Vienna.

BASIC STATISTICS

Area	84,000 sq km (32,374 sq miles)
Population	7.5m
GDP (1979)	Sch914.29bn
Per capita	Sch121,743
Trade (1979):	
Exports	Sch206.28bn
Imports	Sch261.29bn
Trade with UK (1979):	
Exports to	£345.5m
Imports from	£259.3m
Currency: Schilling £=Sch34.37	

The "real" exchange rate, as measured by Austrian labour costs and the movements of the nominal exchange rate, has remained more or less stable for some years, though taking the period since 1970 as a whole, the real rate has risen by almost one-fifth.

Unit labour costs in industry are roughly as high as those in West Germany, which means that they are among the highest in the world. The continued expansion of Austrian exports must, therefore, have entailed a loss of profitability.

In part, at least, that has been the price paid for continued high employment. The service sector has acted as a buffer, but in the past few years employers—both in the State-owned heavy industries and in the often paternalist private sector—have accepted, short time and similar devices as the alternative to dismissals.

About 2 per cent

As a result, unemployment has been kept to about 2 per cent. For this year an increase to near 2½ per cent is forecast, and pessimists believe that the rate may go even higher. By traditional criteria that would mean the end of over-employment, rather than of full employment.

Part of the increase would be frictional unemployment of labour being re-deployed from industries with a relatively unpromising future — such as steel—always provided the policy makers find the means to bring about a restructuring of Austrian industry towards products with brighter prospects. (This subject is dealt with in detail elsewhere in this survey.)

The trade unions have shown some understanding for this need; employment in the steel industry, for instance, has been reduced with little fuss. But nobody's interests would be served if the habitual "social partnership" between labour and employers were to be put under serious strain.

That partnership, though it finds expression in certain tripartite institutions of the unions, the employers, and the Government, is really a frame of mind—the readiness of both sides of industry to proceed by consensus, not confrontation. Recent wage settlements have roughly matched the inflation rate, displaying a readiness on the part of the unions to forego real increases in order to protect jobs and the purchasing power their members already have.

But pressure is growing from the unions, and within the Government for the introduction of a legal minimum holiday of five weeks a year, which would add greatly to the already inflated cost of fringe benefits. Austrian employers calculate that fringe benefits add some 80 per cent to wages as opposed to 60 per cent in neighbouring West Germany. (These benefits have been taken into account in the calculation, referred to above, that unit costs in the two countries are roughly comparable.)

Employers also complain that frequent tax increases, with which a stimulatory budgetary policy was financed have eroded their capital basis. The figures are not uncontroversial but the employers say that shareholders' funds (equity plus reserves, but excluding reserves for pensions) have fallen from 66 per cent to 30 per cent of balance sheets in the past 15 years.

Despite these problems and the poor prospects for the world economy, the mood in industry is far from one of catastrophe. From an admittedly low base, industry's investments last year increased by a nominal 13 per cent (as against an inflation rate of just above 6 per cent), and a 9 per cent increase is foreseen for this year. These, however, are forecasts that often go wrong if entrepreneurs revise their plans.

Dr. Alois Mock, leader of the main opposition party, the People's Party, wants to give business a shot in the arm by reducing Government spending to avoid the "crowding out" effect of the Government reserving for itself more than its fair share of resources. He sees the possibility of running down the bureacracy by natural wastage and the eventual possibility of tax cuts.

The share of taxes and similar levies in the Austrian GDP of about 41 per cent in 1979 is not especially high. Though it exceeds the 34 per cent in Britain, it ranges well below what is usual in Scandinavia and the Netherlands. But there are signs that the threshold of pain has been reached. To put it bluntly, higher tax rates may increase evasion rather than yields.

Controversial

The Socialist Government is more likely to work with direct incentives to industry than with tax cuts, pursuing its established course. There have been some cases where it has picked likely winners: the financing of a novel diesel engine as a collaborative venture with the Germans is a case in point. Other ventures, such as the decision to attract a General Motors plant to Vienna, are a good deal more controversial.

Given Austria's dependence on world trends with its 36 per cent share of GNP provided by exports, the available margin for manoeuvre is exceedingly restricted.

In a world of high interest rates, monetary policy cannot help, except at the cost of an unsustainable external deficit; a current account deficit equal to 2.5 per cent of GDP exerts the same restraint; a rising exchange rate of the dollar would end the cushioning effect that the weakness of the U.S. currency has exerted in the past on the domestic price of oil in Austria.

To sum up: though living standards and high employment appear to be safe, Austria will not grow this year, and yet cannot expect significantly lower inflation rates or trade deficits.

AUSTRIA'S MAIN TRADING PARTNERS

	IMPORTS	EXPORTS
1978		
EEC	151.7	92.3
Thereof:		
W. Germany	100.5	51.3
Britain	7.2	8.7
EFTA	21.0	22.5
East Europe	20.3	24.2
Thereof:		
Soviet Union	8.9	5.4
All countries	231.9	176.1
1979		
EEC	174.7	110.4
Thereof:		
W. Germany	114.2	62.5
Britain	7.9	9.2
EFTA	22.6	25.2
East Europe	23.7	26.6
Thereof:		
Soviet Union	10.3	6.8
All countries	269.9	206.3
1980 Jan.-Sept.		
EEC	147.5	92.1
Thereof:		
W. Germany	96.1	52.2
Britain	6.6	6.2
EFTA	18.5	20.6
East Europe	22.3	19.2
Thereof:		
Soviet Union	9.8	4.2
All countries	234.6	166.2

Source: Austrian National Bank

Need to carry out radical surgery

STATE INDUSTRY

PAUL LENDVAI

FEW OUTSIDERS know that Austria is one of the democratic countries in Western Europe with possibly the largest direct and indirectly nationalised sector in industry. The origins of the preponderance of the public sector go back to the immediate post-war period when both major parties, the Socialists and the People's Party—which until 1966 were partners in a coalition government—agreed to the nationalisation of the largest banks as well as large sectors of basic industries, *ranging from oil and chemicals* to steel and heavy engineering.

In addition to the nationalised industries, the State has a hold over large segments of manufacturing industry and trade which constitute part of the industrial holdings of the Creditanstalt and the Laenderbnank. This means that about 28 per cent of the industrial labour force *is* employed by the nationalised sector and companies controlled by the nationalised banks.

It is the reason why plans to *carry out radical changes in the* competences concerning the banks' industrial holdings and the suggestions for a closer institutional co-operation between the nationalised sector and the indirectly controlled semi-private companies cause reverberations through Austria's political and business spectrum.

Turning to the nationalised industries, it is perhaps appropriate to quote a few pertinent figures about their key role in the domestic industry. The so-called OIAG (Osterreichische Industrieverwaltungs AG) was founded in 1970 by an Act of Parliament as a holding company for scores of nationalised companies which in turn operate in Austria alone 53 production plants, each with more than 50 employees. In all the OIAG concern has a labour force of 115,000, accounting for 18 per cent of total Austrian industrial employment. Turnover of its subsidiaries totalled in 1979 Sch 123bn (just under £4bn) with the gross production value reaching 21 per cent of the aggregate figure for the industry as a whole.

Showpiece

The prominent position of the State sector is even more evident in that 29 per cent of the labour force in plants with more than 1,000 employees works in nationalised industries. Over one-fifth of Austrian exports is generated by the OIAG concerns with the share of exports in terms of the output of the nationalised sector *amounting to 35 per cent.* For many years a showpiece of neutral Austria, the nationalised sector has lately become more a matter for growing concern.

The world steel recession has adversely affected Voest-Alpine, the steel and engineering concern, which is by far the largest of the State-owned enterprises. The merger of the *two nationalised steel companies* Voest and Alpine in 1973, followed two years later by the merger of all special steel plants under the newly created VEW (Vereinigte Edelstahlwerke AG) combined with the shift from crude and rolled steel output to engineering and finished goods have helped to improve the steel industry's *position in land-locked Austria.*

Investment to the tune of Sch 20bn since 1973 and the closure of obsolete blast furnaces with a capacity of 1m tonnes per annum have also contributed to international competitiveness. Even so Voest-Alpine will post—despite a ten per cent rise in 1980 turnover to Sch 34bn—what the management calls "considerable losses." Major orders from East Germany and Saudi Arabia were the bright spots last year. However, Voest is also forced to rely more and more on compensation and counter-trading arrangements. A special trading outfit, called "Voest Intertrading" was set up two years ago. *It is* expected to report a turnover of close to Sch 2bn for 1980.

The steel crisis hit the special steel sector with a vengeance. More than 4,000 of the 19,000-strong production staff will be on short-time working between February and April, a steep increase compared to 2,000 affected by short-time working *since October 20, 1980.* It is now reckoned that VEW, with a turnover of Sch 11.5bn in the business year 1980, will have suffered losses between Sch 600m and Sch 1bn, with 80 per cent of the output shipped abroad, VEW is feeling the pinch of slackening foreign demand.

Above all, the lack of ex*pected orders from East Europe* because of hard currency restrictions and from China because of a reassessment of investment priorities has contributed to the deterioration of the order book situation.

The fact that there are six different special steel plants in operation and that, for example, the obsolete plant at Judenburg in Styria has not been closed down, is also a major negative factor. Voest-Alpine and especially the special steel sector has of course been burdened by *the legacy of structural* weaknesses, of an industrial and mining base which for reasons of geography too is hopelessly uncompetitive.

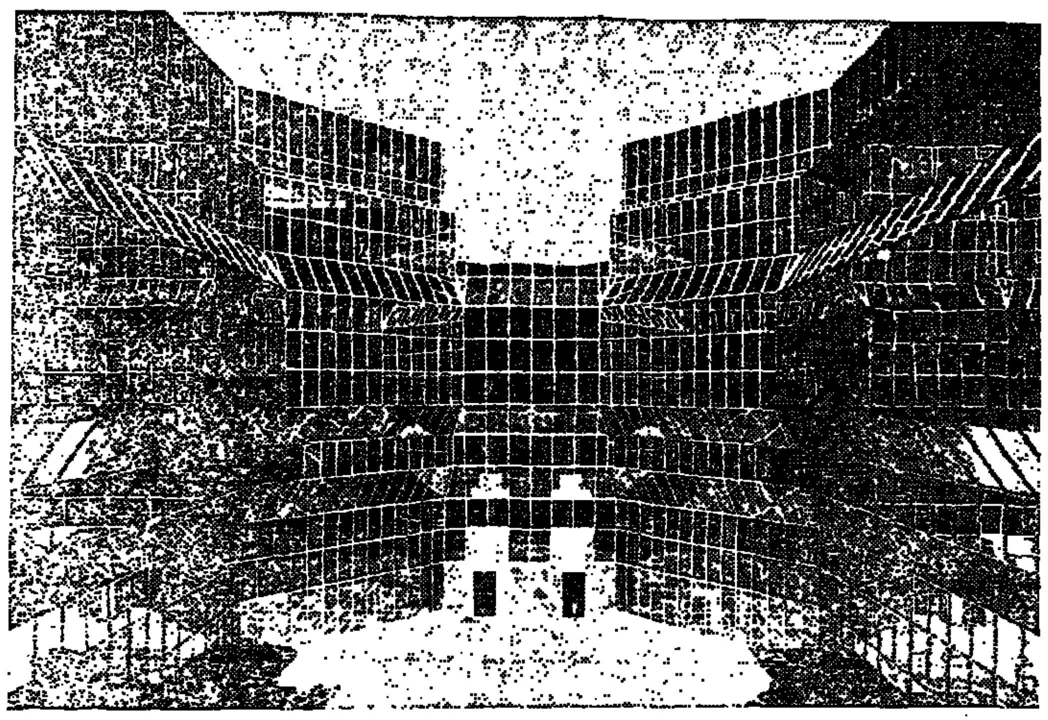
This is true in the first place of upper Styria, an industrial region with a population of 400,000 where steel, special steel, magnesite, paper and pulp dominate the scene. In the province of Styria, for example, and Upper Austria about 30 per cent of the industrial labour force is employed by *the nationalised industries. The* proportion drops to 13 per cent in Lower Austria, and to 7.3 per cent and 5.5 per cent respectively in Carinthia and Upper Austria.

It would be unjust to accuse either the OIAG management alone or the companies concerned of feather-bedding, inefficiency and hoarding of *superfluous labour. More than* once managers of OIAG have in the past come out in favour of structural redeployments in an over-extended and partly obsolete steel industry. However, regional considerations and lobbies, primarily in the special steel and coal sector, have managed to thwart industrial *surgery and the closure of in*efficient plants.

With the Austrian budget possessing no room for manoeuvre after many years of deficit spending, the time of massive subsidies is gone. This is felt by VEW, which has asked for funds from the Federal State to the tune of Sch 200m, with a similar sum committed for *this year.*

More capital and more elbow room for the management without political backseat driving is necessary to put the steel sector, the State oil cororation OEMV, the chemical concern Chemie Linz as well as the aluminium and electrical sectors on a sound footing.

It *remains to be seen whether* and to what degree the State sector will be affected by the new economic and industrial concepts being drawn up. The need for structural changes is recognised and even advocated by Mr. Oskar Gruenwald, the able Director General of OIAG. But the question marks concerning the will of the Federal *and provincial governments to* take unpopular measures are bound to remain.



Technical headquarters of Creditanstalt Bankbverein, Austria's leading bank, which is majority-owned by the State and administers a large group of industrial enterprises.

Energy costs the main culprit in deficit

TRADE

W. L. LUETKENS

INDUSTRIAL semi-manufactures and machinery have been the strong suits of Austrian exporters in the struggle to contain a structural and worsening trade deficit.

These are goods to a great extent manufactured by enterprises which even by the standards of a country of only 8m inhabitants are small or medium-sized. A plant employing more than 1,000 people is considered to be big business in Austria.

Studies have shown that what the smaller plants lack in economies of scale is often compensated—and over-compensated—by flexibility and good labour relations. At the worst of times post-war Austria has been all but free of serious industrial conflict. But in the *small plant* where man and master may be on first name terms that advantage tells doubly.

Under the conditions of the 1960s these *small* enterprises took advantage of technological innovation to strengthen their market position. That advantage may have been eroded in the 1970s for a variety of reasons, including a tighter tax policy. The question is whether a new leap forward is possible.

Dr. Hans Seidel, the Austrian economist appointed Under-Secretary for Finance last week, has argued that the small enterprise is best placed at a time when new production techniques are being developed, but have not yet *reached that* foolproof standardisation which would enable them to be applied generally in mass production or in the overseas ventures of trans-national companies.

Following that reasoning, many Austrian experts hope that the microchip and the robot may give small industry another boost such as that of the 1960s. They plead therefore for tax incentives to innovation rather than mere job-creation. They even dare very gently to criticise the habits of Austrian social partnership—meaning industrial relations conducted by consensus and without strikes—on the grounds that the paternalist influence is liable to create rigid industrial structures.

Consent

It is a criticism that may apply to large-scale industry, for instance, steel, though in fact steel and coal have reduced their manpower over the years with the consent of the unions.

The main element in the trade deficit of about Sch 60bn (about £1.8bn) forecast for this year is energy, and more specifically oil. The Viennese economic research institutes in fact estimate that net of *energy* the current (not the visible) account would have been in surplus last year and, probably, would be so again in 1981. Since Austria's native resources are running down, there is little that can be done about the need to import energy. There are certain reserves in conservation measures, but Austria will have to learn to pay for its energy with exports.

Besides energy, finished consumer goods or near-consumer goods have contributed most to the worsening of the trade balance in the 1970s. This has to be seen in the context of *Austria's increasing integration* into the European Economic Community and the challenge from newly industrialised countries. Duties on industrial trade with the EEC disappeared in 1977, and from being a traditional high tariff country, Austria has greatly reduced or even eliminated trade protection.

None the less, taking the overall view, integration into the commercial system of the EEC does not appear to have worsened the Austrian trade balance, though that conclusion is not entirely uncontroversial. The deficit on trade in industrial goods with the EEC and EFTA actually fell from 6.9 per *cent of GDP in 1972 to 6.5 per* cent in 1979. Certainly no campaign against the EEC can be detected in Austria at present.

Attempts to diversify the regional structure of Austrian exports have met with some—but only *some*—success. Germany remains the main customer by far, as it is the main supplier of Austrian imports. The share of overseas industrialised countries in Austrian exports has declined steadily, though developing countries, especially those in OPEC, have become increasingly good customers.

Hungry

The attempt to improve Austrian markets in Eastern Europe has been only a qualified success. Austrian exporters suspect political reasons in the case of the Soviet Union where, it seems, the West Germans stand in higher favour. There could, however, equally be other grounds. Austria offers German technology, and the Germans have for some time been hungry for business in Eastern Europe, especially to supply industrial plant.

The indebtedness of the smaller Comecon States may have acted as a restraint, though, taken as a group, they increased their purchases in Austria marginally last year.

Austrian banks have played their part in financing this trade; their claims on the eastern European states grew from Sch 8.1bn at the end of 1974 to Sch 43.5bn a year ago. In addition, Austrian exporters were estimated to have claims of their own on eastern European customers of around Sch 15bn.

One especially large export deal which caused a stir last year was for the sale of about 100 Austrian-made tanks to Chile. It would have been good business for Steyr-Daimler-Puch, part of the industrial holdings of the Government-controlled Creditanstalt bank. But after a great deal of argument the Socialist Cabinet decided that the business *was politically* unacceptable.

The State-owned Voest steel and engineering concern was more successful with a letter of intent from *East Germany to* provide the engineering and some of the deliveries for a steel-works. To a great extent it will be a barter deal, leaving Voest with the need, among others, to sell rolled products supplied from East Germany once the steel mill is functioning.

Nevertheless, it fits into Voest's strategy of increased reliance on engineering rather than on steel and other basic products. It is all part of the brains rather than brawn process *which* is needed to restore Austria's payments balance to health.

Added costs as interest rate cartel ends

BANKING

W. L. LUETKENS

AUSTRIA'S VARIEGATED network of credit institutions is at an acute stage of a long-lasting profit squeeze. When results for 1980 are published they are unlikely to prove good, and there is little promise of relief during the current year.

Part of the problem lies in the banks' increasing involvement in international finance, with its finer margins. But at home too there have been fundamental changes which have had their effect on both costs and earnings. At the same time interest spreads have been narrowing. Several cases of bad debts in industry have not helped.

The main event of last year, the long-term effects of which have still to be fully clarified, was the abrogation of the traditional interest rate cartel under which savings deposits were taken on by all institutions at agreed rates. The cartel had shown signs of failing beforehand; larger depositors had already been able to negotiate their own rates.

But in mid-1980 the joint stock banks, with a relatively low share of savings account deposits, gave notice that they would pull out. Under political pressure they agreed to retain an agreed rate (at present 5 per cent) only for those savings subject to legal notice of withdrawal. In practice they are current accounts, provided individual withdrawals do not exceed a certain sum.

The joint stock banks' move inevitably added to costs, especially those of the various co-operative credit institutions which compete with the banks, doing very much the same range of business. The co-operative institutions' access to relatively cheap primary deposits was made more difficult. At an estimate, a typical savings bank used to have about half its savings deposits on legal notice; now that proportion may be down to one-third. The incentive is the higher rate obtainable for savings deposits tied down for, say, three months.

The end of the cartel has profoundly changed the nature of competition between individual institutions and also between the big groups into which the industry is divided. These are the joint stock and private banks; the savings banks, both those owned by local authorities, and those conducted on a mutual basis; the Raiffeisen banks, which are part of the farmers' co-operative movement; and the *Volksbanken* based on groups of local small tradesmen. There are others, but they are specialised in nature and—unlike the large groups—do not compete in all branches of retail and wholesale banking.

While interest rates were largely cartelised (and, incidentally, low) competition took the form of founding new branches to battle for market share. From the end of 1976 until the end of 1980 the number of bank branches increased from 3,750 to almost 5,000 throughout Austria, or almost one for every 1,500 inhabitants. In Vienna the ratio is about one branch for every 3,000 inhabitants, but there are some areas where it is as low as 1:1,000.

Borrowers

That particular form of competition for market share has inevitably proved expensive and has almost certainly reached or perhaps passed its peak. Dr. Karl Pale, chief executive of Girozentrale, the umbrella organisation of the savings bank organisation, reckons that the end of the interest cartel and the cost of the many new branches has added about 1½ percentage points to the interest charged to borrowers.

Arithmetically that may have been the case. But the real reason why interest rates are high is that for reasons of its external payments Austria has had to follow the rest of the world, and especially Frankfurt, towards a higher interest structure. The stance adopted by the National Bank has been restrictive for some time and is likely to remain so this year, given the continued high current account deficit.

Fiscal policy has been moderately restrictive. Among others, credit institutions have been hit with a new tax. It is expected to raise about Sch 1bn (about £30m) this year in the form of a levy on balance sheet totals combined with a flat levy on each branch or sub-branch. The net yield will be rather less, because the tax can be offset against taxable income and will, therefore, reduce corporation tax due from the credit system by probably rather less than Sch 500m.

The Government has also abruptly ceased to subsidise contractual savings; it used to add a bonus of 1 percentage point to the 6 per cent due on four-year contracts. The banks will now have to pay the bonus from their own resources. There have been complaints, especially from the co-operative sector. The joint stock banks, with a different composition of liabilities, are less troubled and the Government takes the line that in a world of high interest rates the bonus on top of what is reasonably cheap money is not a disaster.

With an inflation rate between 6 and 7 per cent it still is possible for Austrian savers to protect the purchasing power of their savings—at least before tax. Besides, the State allows them up to Sch 10,000 of interest free of tax. It also tolerates the institution of anonymous savings books which, in practice, are free of all tax. A move to plug this loophole last year caused near-panic among many small savers and the idea appears to have been quietly forgotten.

That particular episode and the general conjunctural pattern weakened the Austrian people's will to save, in the opening months of last year—though there was a recovery in the latter half of 1980. But taking a broader view, the formation of money capital does appear to be falling behind requirements.

Primary deposits increased by Sch 39.5bn in January-November, 1979, but by Sch 5.9bn less in the corresponding 11 months of last year. Total loans to domestic non-banks increased by Sch 68.8bn in January-November, 1979, but by Sch 4.6bn more in the corresponding period of 1980. In addition, the banks took into their own portfolios Sch 7bn of newly issued bonded debt during last year. Net sales to non-bank investors declined.

Behaviour

Some discusion is going on about the behaviour of savers. So far the evidence appears to show that after eliminating the special upsets of the first half of last year the traditional pattern will be maintained. That would mean that savings respond not so much to interest levels as to the rise and fall of real disposable incomes, and would point to a flat 1981, given the likely pattern of wage settlements.

Given the end of the hitherto rapid growth of branches and the tactics of the joint stock banks in the argument about the interest cartel, questions arise as to whether the process has been arrested by which the patterns of nearly all types of Austrian banks have become increasingly similar; whether the progress of the co-operative sector towards being German-style universal banks may be interrupted; and whether the joint stock banks may be losing some of their interest in pushing their retail business with the little man.

Dr. Heinrich Treichl, head of Creditanstalt Bankverein, the largest Austrian bank, a man who in his time caused his bank to woo the small saver and one of the main opponents of the interest cartel last year, says that the process will not be reversed. Universality, if it means that any bank undertakes any kind of business, will remain: but it does not follow that every group will have the same type of clientele.

(The fierce fight for the succession to Dr. Treichl—a battle fought out between the Socialists and the opposition People's Party because the bank is State-controlled—is dealt with in the introductory article to this survey.)

Computer links speed trade promotion

EXPORTS

W. L. LUETKENS

SELF-HELP is the method by which Austria has tackled the challenge of export markets to a small country whose industry is fragmented into a large number of often very small companies. Export promotion and assistance to exporters is provided by the foreign trade section of the Austrian Chamber of Economy, an organisation to which all businesses of any size have to belong.

The chamber goes back to the 19th century but its function as an assistant to exporters is more recent. Since World War II it has developed into an organisation with 84 representative offices outside Austria, all of them linked to the central computer in the headquarters in Vienna. The largest number of offices is in Europe, where there are 32 Austrian trade delegates or commissioners, as they are called. Asia follows with 20, America with 17, Africa with 14, and Australia has one.

These men are not diplomats, though in some countries they are given diplomatic status for security or other reasons. They are not concerned with commercial policy; their one job is to promote Austrian foreign trade. The wording is important. Though exports usually come to mind when one thinks of the organisation, it is also at the *disposal of importers, and of* exporters in other countries wishing to do business with Austria.

Circulars

Regular circulars to the Austrian members of the Chamber inform them of the names and addresses of potential suppliers abroad who have notified an interest to do business with Austria. A recent circular runs the gamut from an Iranian with caviare to sell, to a Portuguese manufacturer of clothes hangers and a maker of marble bric-a-brac in Taiwan.

Other leaflets give Austrian exporters information about the nature and customs of potential markets, not least what precautions should be taken in some of the more exotic countries to ensure that payment for exports is received and letters of credit do not vanish into thin air.

But the service to exporters does not stop at that. Trade delegates abroad will arrange business tours for export managers, to ensure that they get the appointment they want. They are ready to translate business correspondence, to undertake market studies, help find agents, and—if necessary—to intervene where payments are delayed or fail to be made.

About 7,000 companies are stored in the home computer in Vienna. Trade delegates abroad who see an export opportunity can discover from it whether any of the 7,000 are interested in the sale of the goods concerned, whether they are already represented in the market, and whether they are willing to grant licences. From then on the delegate's office contacts the Austrian supplier concerned, cutting out the extra complication and waste of time which would arise if the matter were handled via headquarters.

A more sophisticated method is going to be tried out this year, enabling offices abroad to telex Vienna with market information. A code would ensure that the message is automatically telexed on from Vienna to those potential exporters interested in the information. This would be done by automatic switching gear, without the need for an operator to dial calls or transmit the information anew from headquarters.

At home, the foreign trade section of the Chamber of Economy does make it its business to make industry more export-conscious—a task called for in a country which has a large number of companies with technical expertise but, because of their small size, little experience of world markets.

The need to push them in that direction has arisen not merely because of the structural trade deficit of Austrian payments: it goes to the rather deeper roots of the process of integration in world markets. Since the beginning of 1977 industrial goods have been traded duty-free between Austria and the members of the EEC, with the result that many Austrian manufacturers have been losing market share at home to imported goods, especially from West Germany.

The chamber receives constant complaints about this trend, and its advice has been to seek compensation in exports, above all in the EEC and what is left of the European Free Trade Area, principally Switzerland. A common language, but also similar consumer habits, similar technologies, common industrial standards, not to mention geographical proximity, are a help in German and Swiss markets.

The entire organisation is typically Austrian in that it has grown from a long tradition of self-regulation in business, in close co-operation with the institutions of government. That co-operation extends beyond the obvious need for trade delegates and embassies to maintain contact. It finds a very practical expression in the method by which the foreign trade organisation is financed.

In 1979 its main source of revenue was Sch 1bn (about £30m) raised by levies of 0.3 per cent on the value of imports and exports. The commitment of the organisation to helping not only the exporter is thus reflected faithfully in the basis of its finances.

Academic

Something that is also very Austrian is the prevalence of holders of academic degrees or certificates from schools of commercial or engineering studies among the trade delegates. The typical recruit to this service has a degree and some practical experience of business. Unlike diplomats, he has a long tour of duty, averaging about 7½ years in one country.

By basing the network on the Chamber of Economy, the Austrians have at least partly circumvented a complaint occasionally heard from exporters of other countries that their official export promotion is in the hands of government servants who may be strangers to the practices and needs of business. Some conceivable conflicts of interest are eliminated by the Austrian model. Austrians, in any case, are long familiar with the chamber as the representative of the interests of business, against among others, the Government itself.

Obviously the utility of the entire system varies from case to case, and especially from exporter to exporter. On balance the established exporter has less need for it than the novice, and the large company less than the small.

But Dr. Friedrich Gleissner, head of the foreign trade section of the Chamber of Economy, says that the little companies often complain that he gives too much attention to the big ones, and that the big companies make the opposite complaint. "That gives us a good feeling," he says with a smile.

Disposal of waste is the problem in the way of nuclear power

ENERGY

W. L. LUETKENS

ENERGY POLICY to Austria means a battle against rising payments deficits, as it does in most other industrialised countries; it means a search for safe supplies and for alternatives to oil; but above all it means a trap mostly of the politicians' own making.

Close to Vienna, at Zwentendorf, a nuclear power station is being mothballed because the Austrian electorate, in a referendum on November 5, 1978, voted by the narrowest of margins against commissioning it. The precise motives, as always in these cases, are a matter for speculation, but there is no doubt that many a supporter of the opposition parties voted against nuclear power mainly to spite the Socialist Chancellor, Dr. Bruno Kreisky.

Dr. Kreisky promptly abandoned his pro-nuclear stance and Parliament unanimously voted a law forbidding the commissioning of any nuclear power station unless a two-thirds majority in the Parliament decided otherwise. That cannot come about unless Government and opposition concur, or unless an ad hoc majority comes about in a free vote.

Leaving aside the question of the merits or demerits of nuclear energy, the political absurdity of the present position is patent. The trade unions want Zwentendorf. So does industry. But both big political parties are divided, so that their leaders have to proceed circumspectly.

Dr. Kreisky accepts the need for nuclear power but says that the question af the final disposal of radioactive waste must first be solved. He and others in Vienna, *along with the* Swedes and Swiss who have run into similar difficulties, pin their hopes on the superpowers being able to agree on an international authority to deal with nuclear waste.

Pressures

Dr. Alois Mock, leader of the People's Party, the main opposition group, knows the pressures in favour of nuclear power are strong within his own party. But he sees no reason to let Dr. Kreisky off the hook.

Public opinion, which in any case has not yet become thoroughly aware of the energy crisis because the full impact has been cushioned, is not *especially* enthusiastic about Zwentendorf. A petition to Parliament to re-open the question barely received the required 200,000 signatures.

Opinion polls show that one third of the electorate, roughly speaking, want Zwentendorf; one third do not; and the remaining third are undecided and, therefore, probably would respond to an act of political leadership.

That is the simple way of putting it. The danger *is* that any reversal of the referendum and be it by another referendum — might look like an obvious flouting of the popular will as long as the public remains as divided, or as apathetic, as it now seems to be.

So Zwentendorf remains a might-have-been, which cost Sch 8.9bn (about £270m) to build, and continues to need money at a rate of Sch 70m a year until the mothballing is completed. From then on maintaining it *will still* cost Sch 40m annually.

Had it started generating as planned, it could have provided 11 per cent of Austria's electric power, or 2½ times the amount by which power consumption is increasing annually at a time when the country is trying to raise the share of electricity in its energy supply. The view among industrialists is that the country needs not one, but four or five Zwentendorfs. Dr. Walter Fremuth, chief executive of Verbundgesellschaft, the national power generating and distributing company, says he would be happy to take over Zwentendorf even by itself, whatever the circumstances.

But with things as they are, he is forced to go on shopping expeditions for steam coal and for seasonal power supplies. Austria is a net exporter of power, if you take the year as a whole; last year's surplus came to 4,085 gigawatt hours and *as a rule of thumb the sur*plus of exports over imports equals about one-tenth of consumption.

Decisions

Hydro-power supplies about two thirds of Austrian power, and additional resources are available for development. Run-of-river plants are being built along the Danube and three more stations will be built before that project is completed. They will provide about 1,500 gigawatt-hours a year each. The Danube projects will be completed by about 1990.

Given lead times in construction, decisions will be needed by 1985 about how to expand the electricity supply in the 1990s. Advocates of nuclear power believe that the argument for going nuclear will have become unanswerable by then and may pin their hope *on the fact that the next elec*tion, due in 1983, will by then be out of the way.

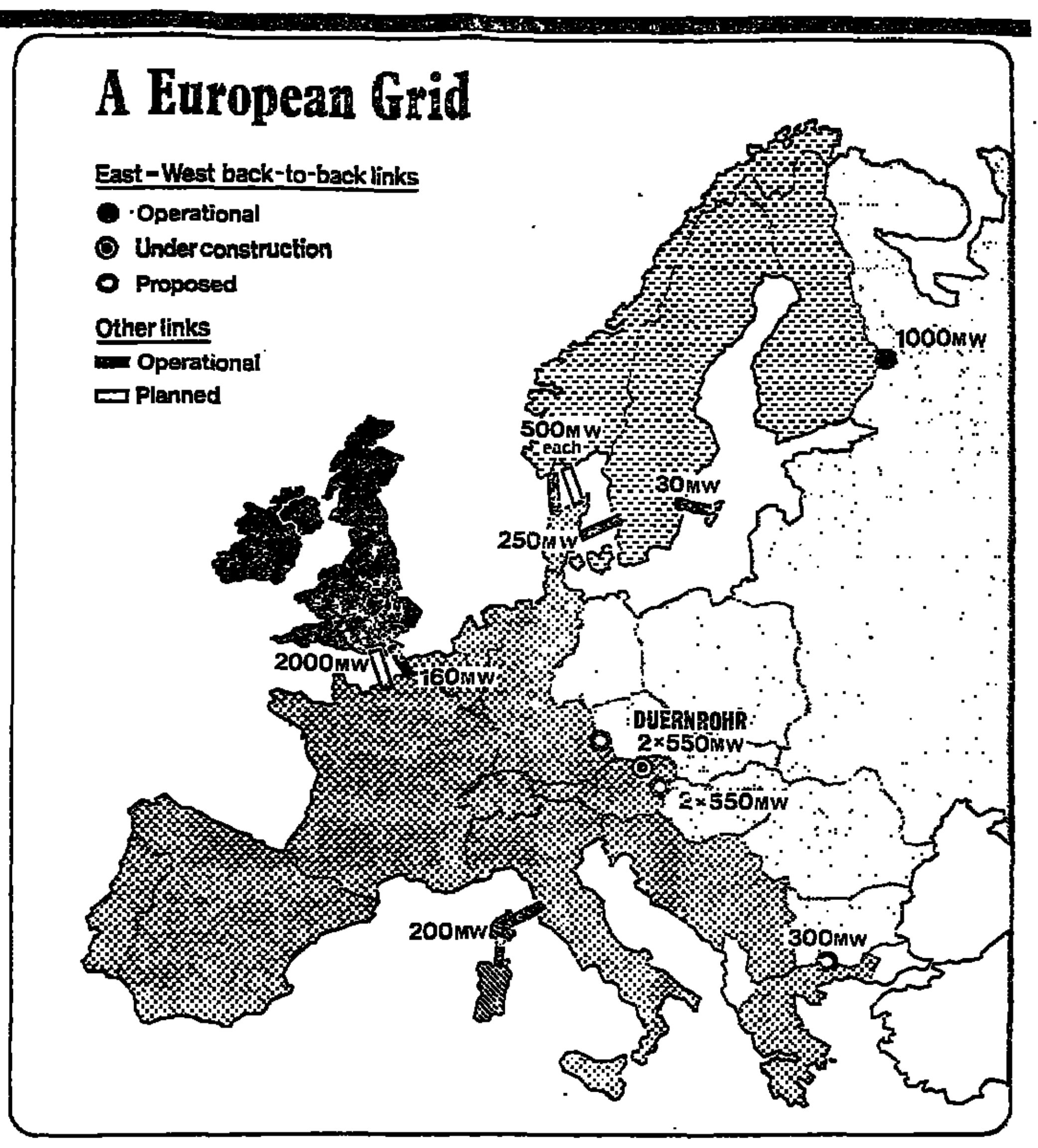
The seasonal interchange of power with Eastern Europe is turning Austria into a switching point in a developing *Europe-wide grid*. The Comecon grid is not fully compatible with Western European systems, though already it is possible temporarily to switch power stations on one side of the demarcation line to feed power into the grid the other side, provided the station is disconnected from its own grid for the time in question.

That need can be overcome and the entire operation simplified by an installation which engineers call a back-to-back link. One is under construction at Duernrohr, west of Vienna, and Dr. Fremuth hopes to negotiate a deal for another similar link across the Hungarian border to tie up with a power supply which the Comecon countries are laying on from the Ukraine to the Budapest region.

A back-to-back link already exists between the Soviet system and the Scandinavian, which in turn links, via Denmark, with the main Continental grid and, across the Channel, with the British grid. Thus two neutral powers are becoming the main switching points for an East-West exchange of electricity.

Besides the power link, Verbundgesellschaft is also preparing to receive regular shipments of coal from Poland from 1984 and is looking at the possibility of a joint venture coal mine in an overseas country. The purpose would be to reduce the degree of dependence of Austria on energy imports from *Eastern Europe—a dependence* which may reach up to 50 per cent of imports during the 1980s as Austria goes shopping for coal, natural gas and oil.

At the moment U.S. coal simply is not competitive with *Polish because of the costs of* transporting it across Germany by rail. Even the Rhine-Main-Danube canal, which would link Austria with Rotterdam, may not bring relief when it is completed by 1987 (provided present forecasts stand).



Despite its electricity surplus *and the existence of small* but rapidly declining native reserves of oil and natural gas, Austria is heavily dependent on imports of energy. Of its coal 80 per cent is imported, as against 73 per cent in 1976; of its oil 89 per cent (against 80 per cent); and of its gas 59 per cent (41 per cent). Overall, net imports accounted for 63 per cent of energy supply in 1973-74, and for 68 per cent in 1979-80.

Dr. Karl Musil, energy expert of Wifo, the economic research institute in Vienna, estimates that *in absolute terms imports* will grow by another half until 1990, and that net imports will by then account for 75 per cent of the Austrian market.

That will constitute a severe charge on the Austrian current account. Equally there are problems of the security of supply. A contract with Iran, for the supply of 1.8bn cubic metres of natural gas from 1984 (compared with present annual consumption of some 5bn cubic metres) is in limbo because of the uncertainties in that country.

Algeria appears at present to be more expensive than the Austrian market will accept. Additional supplies from the Soviet Union are also the subject of negotiation.

In the circumstances it is not surprising that a tremor went through Austrian industry when Russia earlier this month gave advance notice that it would have to cut deliveries temporarily in the first quarter of this year.

Labour must be moved into growth areas

INDUSTRIAL STRATEGY

PAUL LENDVAI

AFTER TWO decades of successfully catching up with the more industrially advanced Western European countries, Austria is now faced with the need to draw up a new and outward - looking industrial strategy, based *on large-scale* redeployment and shift of labour from traditional to growth industries.

But as pointed out recently by Mr. Oskar Gruenwald, head of OIAG, the umbrella holding company for the nationalised sector, it is easier to recognise what is not needed than what will be really in demand over the medium and long term. He quoted, with tongue in cheek, a typical answer given by a recent *OECD* survey *to the* question as to just what growth products are: "A large part of the comparative advantage lies in products and processes which are hard to describe because they are either rather intan*gible or do not yet exist.*"

What is certain is that the proportion of industry represented by the so-called traditional branches is still very large. Thus basic industries like iron and other metals *foundries*, papermaking, ceramics and timber, as well as consumer goods like textiles, leather, clothing and food products still had in 1976 a 50 per cent share of the value of aggregate Austrian industrial production, while their corresponding share in the Federal Republic of Germany was only 36 per cent.

Underlined

At the same time considerations of the external *trade* balance also underline the need for extensive and radical changes. Various study conferences and surveys agree that direct subsidies should be concentrated in product development which would replace goods currently mainly imported and which could hold their own in the face of foreign competition. Higher quality and new products should be in the foreground and the allotment of funds should also be geared to the effect of the venture on the improvement of the balance of payments or on winning market shares.

There is no doubt that for a variety of reasons the motor industry has a special place in the catalogue of measures aimed at improving the structure of industry. The record current account deficits, the call for more industrial innovation and last but not least the fear of long-term problems in the labour market have given further impetus to the search for joint ventures with major foreign companies in the motor sector.

Steyr-Daimler-Puch, Austria's largest non-nationalised *con*cern, controlled by the Creditanstalt Bankverein, has acted as pacemaker in foreign ventures and joint projects with foreign motor companies. Aside from a somewhat costly and risky venture *in* Greece, most of these projects can be regarded as successes. Even the problems in Greece, which stemmed from the fact that a contract orginally concluded with the military junta had later been changed by the succeeding democratie government, have been by now peacefully resolved.

With a turnover of some Sch 15bn and a production staff of 18,000, Steyr has launched a number of joint ventures on a grand scale. Development and joint production of a four-wheel - drive - cross - country vehicle by Steyr and Daimler-Benz of West Germany attracted international attention. The operating company is controlled in equal parts by Steyr and *Mercedes, with 95 per cent of* output destined for exports.

Another important Steyr project is the joint production of diesel engines with the German motor company BMW in the Upper Austrian city *of* Steyr. Through a recent deal with Ford, the joint company will double its projected capacity to 200,000 engines per annum.

Joint ventures and sales cooperation in the military hardware sector looked promising until last year, when a political storm over the planned sale of tanks and other hardware to Chile and Bolivia nipped expansion plans of this extremely profitable sector in the bud.

A small project launched jointly by Renault and Austrian groups in Styria involving the manufacturing of foundry components is primarily a symbolic gesture, made possible only by way of considerable investment grants.

The entire system of the grants and *subsidies* has become a major bone of contention between the Socialist Government and the Socialist-dominated municipality of Vienna on the one hand and the business community and some regional governments on the other.

The conflict erupted over the contract concluded with General Motors (GM) concerning the erection of a large engine plant at Aspern, near Vienna. According to the final agreement, reached in two stages in 1979 and 1980, the plant will turn out 270,000 engines and 385,000 gearboxes per annum, primarily for export. The *plant, with a production staff of* 2,650, should go into production in 1982.

At a time when regions and municipalities are fighting over relatively small subsidies and money in general is becoming scarcer and scarcer, the commitment of the Austrian side to shoulder a third of the entire investment outlay has been widely criticised. Subsidies total Sch 2.6bn, to which costs of infrastructure investment must be added.

Spokesmen of the Federal and Vienna Chamber of Economy complain that GM has been treated far too generously and that the size of the subsidy package bears no relation to the net benefit to the country and its balance of payments. The business community and some influential commentators maintain that small and medium-sized Austrian companies would have been able to use such massive subsidies much more profitably both in terms of investment and creation of jobs.

Rejected

Government and municipality spokesmen have emphatically rejected these complaints. They stress that the GM project will be a major source of employment, providing in all almost 10,000 jobs and constituting the core of a major new industrial zone.

The fact that some regional governments — for example, Carinthia—are seeking to conclude contracts with GM about the erection of other production subsidiaries is a clear indication of the interest generated by the Vienna venture. Arguably, for reasons of infrastructure and job situation, future plants could be built somewhere else. But then GM and other foreign investors do not primarily think in terms of local but of their own company interests.

In any case the GM project—like the UN centre on the banks cf the Danube — is widely regarded as tangible proof of international confidence in both Austria's domestic stability and its external security on the *eastern fringe of democratic* Europe.

Socialist-governed neutral Austria is bound to stick to its "open door policy" towards foreign investment but it is also likely that with a general belt-tightening the authorities will henceforth scrutinise more closely both domestic and foreign applications for grants and subsidies given by the Federal, regional and municipal authorities. There is no doubt that future assistance will be more product- and quality-orientated.

The Pasterze Glacier opposite the Grossglockner. In summer it can be reached by a good Alpine road.

No improvement expected on last year's record

TOURISM

W. L. LUETKENS

WITHOUT ITS tourist industry the Austrian economy would collapse very nearly overnight. Since the late 1960s, though foreign exchange revenues from tourism have no longer balanced the structural trade deficit, they have made it sustainable.

Sample figures show net revenue from foreign tourism, that is to say after the deduction of the spending of Austrians abroad, of Sch 30bn (about £900m) and Sch 35bn in 1973 and 1979 respectively, as against trade deficits of Sch 34bn and Sch 59bn. Take the revenue from foreign tourists in Austria by itself and you arrive at incomes of Sch 43bn for 1973, Sch 75bn for 1979 and Sch 66bn for the period from January to October 1980 (an increase of 12 per cent above the first 10 months of 1979). All told, 84m overnight stays by foreigners in the first 10 months made 1979 a record year.

The figures are impressive by themselves. What they cannot show is the effect the tourist trade has had on business activity in the tourist areas. These, as a rule, have a well-developed infrastructure of small tradesmen and services which have thrived as a result of the building boom induced by the tourist industry. Hotels and inns have been built, private homes expanded and buildings added to the farms to accommodate the stream of visitors from abroad.

Services have thrived in equal measure. The larger resorts boast new bank buildings to change the visitors' money; their blacksmiths have become garage owners; on the lakes boat building has become big business: carpenters have become ski manufacturers (though that is a market where, internationally, there are overcapacities and at least one Austrian ski maker has got into liquidity problems).

There is a reverse side to the coin. Many a picturesque market town has been ruined with baroque facades, broken by staring shop windows: some hillsides are scarred throughout the summer as a result of the exertions of the skiers. Moreover the seasonal nature of the tourist business inevitably throws great strains on the labour market and on the staffs and owners of the tourist installations.

Rule of thumb

Austria is lucky in that many regions have a summer and a winter season, but despite that there is a rule of thumb that even well-run accommodation will be fully booked on no more than 250 days a year. Many go as low as 100 days (though it is proper to remember that many small pensions or private quarters are run by private individuals for pin money).

The central organisations of the tourist industry would very much like to do something to make fuller use of capacity. They are toying with the idea of a pilot scheme by which one centre would be encouraged not merely to offer the usual off-season rebate, but to offer accommodation at, say, half the normal price in spring and autumn. For such an effort to succeed, a lot of special facilities would evidently have to be provided. Rambling is coming back into fashion, guided walks might be considered, the number of tennis courts, already growing, could be increased, and more heated swimming pools provided.

Geography is working in the Austrians' favour. German holidaymakers, who in the past tended to go farther and farther afield under the impact of rising prices of petrol have rediscovered their love for Austria. Political uncertainties in some of the more distant destinations have also played their part.

Whether or not it likes the fact the Austrian tourist industry is dependent upon the Germans: in the first nine months of last year they accounted for 73 per cent of the overnight stays of foreigners in Austria. The pattern is a little less overwhelming in winter, but there seems to be no getting away from it. British tourists, who were chased away in 1977 and 1978 by the poor exchange rate of the pound began coming back last year, but their share was still only 2.5 per cent. Even at the height of British tourism before the war, the British never exceeded 10 per cent of Austria's tourist business. Their overnight stays increased from 1.4m in January to September 1979 to 2m in the first three quarters of 1980.

Part of the reason was the strengthening of the pound, which points to the possibility of a further increase in the summer of this year. But in the view of officials in the Austrian tourist organisations, Austria had a real windfall in 1980 in the form of the Oberammergau passion play. Though this drama of the Passion of Christ is not performed in Austria, but in southern Bavaria, the crowds it draws spill over the border—partly because accommodation is short at Oberammergau, partly because tour operators make Oberammergau one stop on a two-centre holiday.

Austria has its own well-established tradition of festivals, principally at Salzburg and Bregenz. But often even small market towns and villages, in addition to the usual folklore song-and-dance show, lay on performances of amateur dramatics, occasionally *of real quality* (*though they* may not prove altogether comprehensible to the foreigner not familiar with the local dialect).

To the visitor from abroad the main tourist centres may appear to be overrun by Germans, but that it not the case in Vienna, with its large indigenous population. In the capital it is possible to hear most of the artists who perform at Salzburg, and to hear them at rather cheaper prices. Its art galleries are also worth visiting, especially now that the international art world has discovered two Austrian *art nouveau* painters, Klimt and Schiele. Their work is well represented in the collection of Austrian art gathered in the Belvedere, the palace built by Prince Eugene, the Duke of Marlborough's fellow warrior.

For less sophisticated taste there are the improbab equestrian acrobatics of th Spanish Riding School, la home of *Baroque horsemansh* For all who feel their waistlir can cope, there are the delig of Viennese cuisine and pastr —the outside world has no c ception of what a Viennese c can do for plain boiled beef.

You don't have to go to t top hotels to be served with o fashioned courtesy. If you av the pitfalls of the modern coff shop, you might yet stumb upon a coffee house wher although you may no longer b addressed as a nobleman, you will certainly be treated as one.

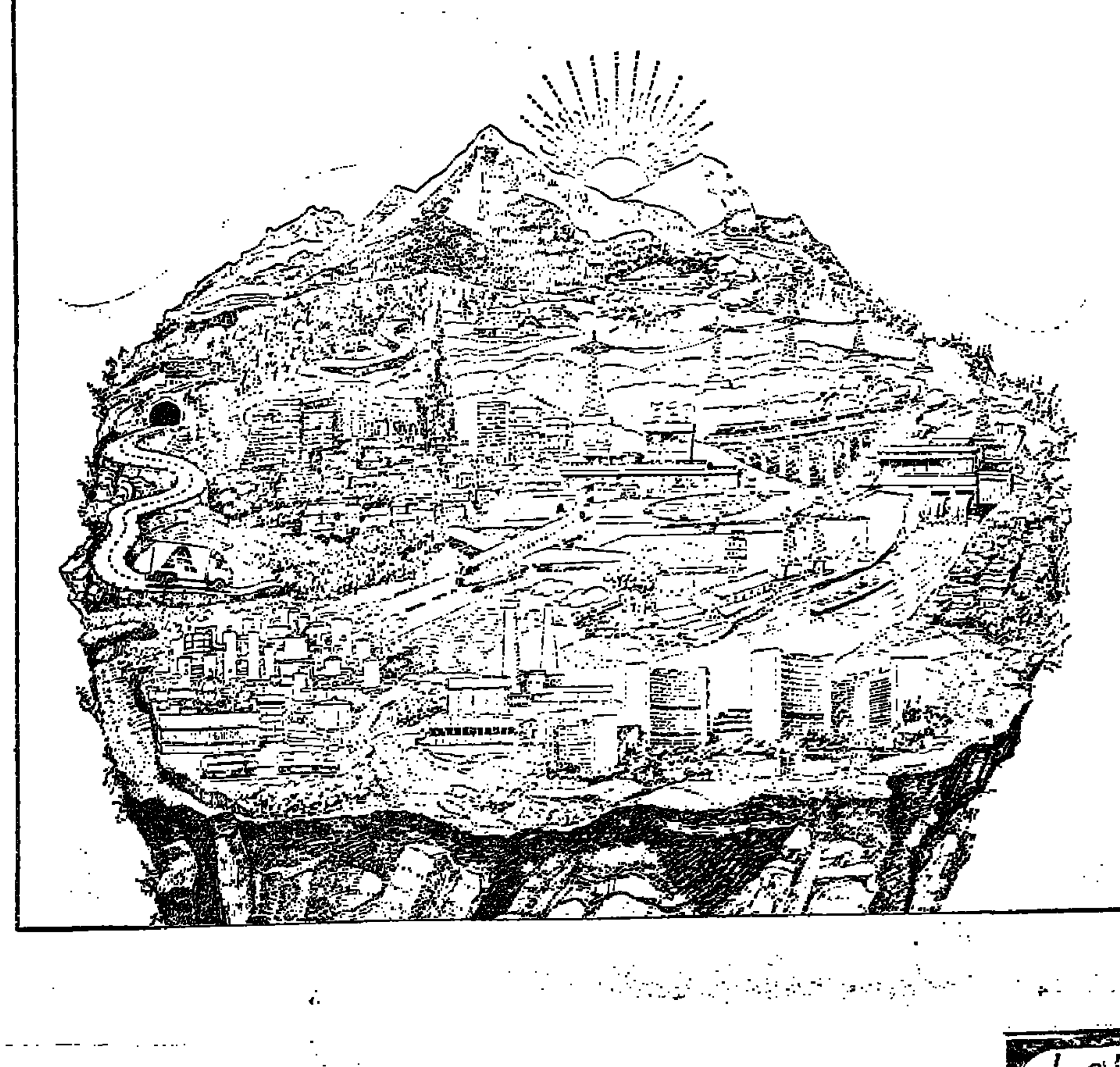
Concern

The future of the Austrian tourist industry does arouse some concern. Labour costs are close to those in West Germany, which makes them very high, but it should be added here that it is not only private rooms which often rely heavily upon family members to help with the work—whose labour is almost certainly undervalued. Last year was a record year for the Austrian tourist industry, but the experts do not expect a further improvement in 1981.

The number of beds on offer, on the other hand, is rising by some 2.5 to 3 per cent a year, so the question will arise of how to fill them. Beds apart, facilities in many of the popular resorts are, if anything, overloaded during the high season. New areas exist that could be opened up, but it is clear that the most suitable spots have already been developed. A walking holiday in the undulating country close to the Czech border could be both pleasant and cheap, but is hardly likely to capture the taste of the mass market.

However, something has been done for these marginal areas. In the interests of the tourist trade, but also of the inhabitants and of job creation, the State spent large sums to improve its roads. The total length of Austrian motorways has increased from 360 miles at the end of 1972, to 590 miles. Moreover, the overall mileage of major roads has been improved out of recognition. Even in the remoter areas, bad roads are the exception rather than the rule.

A considerable effort has also been made to clean up the lakes, one of the main attractions of the summer season. About AS 10bn was spent on this during the 1970s, and it is claimed that the water of many resort lakes is of a purity equalling that of drinking water. Don't bother to try it, though—a decent Austrian coffee house will serve a glass of tap water free with your coffee.



Chalet-style houses in front of snow-capped mountains at Mutters, a village near Innsbruck.

CONTRACTS AND TENDERS

Thornton Bradshaw takes over at RCA

By Paul Betts in New York

IN A SURPRISE top management shake-up at RCA, Mr. Thornton Bradshaw, president of the Atlantic Richfield oil oil company, was picked this weekend as the new chairman and chief executive of the large U.S. communications group.

This follows the suddent resignation of Mr. Edgar Griffiths, who last year became chairman of the company, which has been shaken by top management turmoil in the past 12 months. Mr. Griffiths, who is 59 and joined RCA in 1948, will step down in July.

Under Mr. Griffiths's chairmanship RCA underwent one of its stormiest years in its history. Although his resignation was described by the company as "completely amicable" and requested by the chief executive.

Mr. Griffiths will remain with the company with his $450,000 annual salary, serving both as a consultant and chairman of the board's financial committee.

Mr. Griffiths, who has a reputation for bluntness, is highly thought of as a financial executive. But it is understood that he became increasingly annoyed by challenges to his authority and the questioning of some of his controversial management decisions. These included the dismissal last June of Mr. Maurice Valente, whom Mr. Griffiths had made president of RCA only six months earlier.

At the time of his appointment, Mr. Valente was tipped as Mr. Griffiths's most likely successor as chairman. Moreover Mr. Griffiths had supported Mr. Fred Silverman, president of the RCA NBC national network which had suffered disappointing showings in U.S. television ratings.

Queensland plans company to ward off takeovers

BY JAMES FORTH IN SYDNEY

THE QUEENSLAND Government *is considering establishing* and funding a corporation to buy shares in local companies to prevent them falling under the control of companies from outside the state. The proposal is a sequel to the recent episode in which the Government, supported by a number of Queensland companies, bought shares *in two local engineering companies*, Evans Deakin Industries and Walkers, to defeat takeover bids by New South Wales-based companies.

Australian National Industries had bid for Walkers, and Clyde Industries for Evans Deakin. With the support of the Government and its friends—dubbed "Queensland Inc"—the bids were fought off, enabling Evans Deakin to merge with Walkers, *although Clyde will have a substantial minority holding in the* merged group.

While the details of the Government corporation plan are vague, it is apparently intended to fund the corporation from public money—probably by an appropriation from Parliament plus part of the Treasury "float" which is normally invested in the short-term money market. The corporation is likely be run by five "prominent businessmen" but *Government officials say that no* one has yet been approached. Public subscriptions to the corporation are also being considered.

It is proposed to limit holdings to a 12.5 per cent stake in any company—the trigger point at which an investor must make a full takeover bid under state legislation. The Government feels, however, that a 12.5 per cent stake would be a strategic *—and psychological—holding* sufficient to ward off unwanted bids.

The corporation's guidelines in determining desirable companies will include: whether control of investment decisions and assets would move out of the state; the effects of a takeover on employment within the state; a possible reduction in demand for local goods and services, especially professional, such as provided by accountants, lawyers and so on; the possible transfer of technology between states; and the removal of competition within Queensland. The corporation will be subject to audit and will report to Parliament annually.

Government officials point out that more than 50 locals have been taken over by "southern interests" since 1945.

Mr. T. Ranson, *the president* of the Queensland Securities Institute, attacked the proposal: "We don't think the Government's job is to interfere in the market place. It doesn't contribute anything except to stagnation."

Inland Steel returns to profit

BY OUR FINANCIAL STAFF

INLAND STEEL Company, the seventh largest U.S. steelmaker, has reported an upturn in the fourth quarter of 1980, and shows net profits of $31.45m, or 33.6 per cent more than the $23.54m of the same three months of 1979.

The quarter's profit marks a recovery from the losses suffered earlier in the year. In the second quarter, the mid-West producer, reported a net deficit of $22.4m, its first loss in nearly a decade, and with the third quarter bringing a $6m loss, there was a shortfall of $1.8m for the nine months, against a profit of $108m in the same period of 1979.

The swing into loss came with a downturn in the automotive and construction industries and with raw material prices rising.

Inland Steel now feels, however, that its steel order backlog ensures near-record operating levels in the remainder of the first quarter of this year. Steel orders improved rapidly late in the third quarter of 1980, it says, mainly in consumer durables, and shipments from its mills had been restored to near-record levels in the fourth quarter.

Fourth quarter steel production rose by 9 per cent to 2.11m tons, while shipments rose 13 per cent to 1.52m tonnes.

For the full year, the company made a net profit of $29.68m, or 77.3 per cent less than the $131.1m of 1979, after the inclusion of investment and energy tax credits of $26.3m, against $43.9m.

PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the *forthcoming board meetings (indicated thus*) have been officially* published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
*Assoc. *Dairies*	*Jan. 28*	*Int. 2.0*	*Hambro Tst.	Jan. 27	Int. 1
*Bank Leumi (UK)	Jan. 28	Final 5.768	**Inchcape*	*Jan. 27*	*Int. 7.15*
BAT Inds.	Jan. 30	Int. 6.5	*Lloyds Bank	Feb. 20	Final 8
**Bibby (J.)*	*Mar. 5*	*Final 4.25*	*Lonrho	Feb. 5	Final 5.68
*Brown (J.)	Jan. 30	Int. 1.75	**NatWest* Bank	Feb. 24	Final 10.25
Carrington Viyella	Feb. 20	Final 0.4	Nottingham Manufacturing	Feb. 18	Final 2.75
City Offices	Feb. 19	Final 2.429	*Racal Electronics	Jan. 29	Int. 1.05
Dalgety	Feb. 14	Int. 11.0	Securicor	Feb. 13	Final 1.02
*Dowty	Feb. 12	Int. 2	*Turner & Newall	Mar. 11	Final 7.0
General Mining	Feb. 18	Final 75 cents	Union Corp.	Feb. 18	Final 43 cents
Guinness Peat	Feb. 12	Int. 2.75			
*ICI	Feb. 26	Sec. int. 11			
*Imperial Gp.	Feb. 12	Final 4.5			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

APPOINTMENTS

Retail Consortium director general

The new director general of the RETAIL CONSORTIUM, which represents the bulk of Britain's retailers, is to be **Mr. Robert Lloyd-Jones** from May 1 in place of **Mr. Richard Weir**, who is to become secretary-general of the Building Societies Association. Mr. Lloyd-Jones is at present director-general of the British Textile Employers' Federation.

★

Mr. Bob Taylor has been appointed business development director of TARMAC INDUSTRIAL HOLDINGS, with responsibility for the smaller divisional businesses and new business ventures. **Mr. Colin Cockerham** has been made a director of Markfield (Insurance Brokers), the Group's insurance broker.

★

Mr. Graham S. White has been appointed managing director of SCHOLL (UK). He takes over from joint managing directors **Mr. M. R. Brecknock** and **Mr. R. E. Thomas**. Mr. Brecknock will continue as a director of Scholl (UK) and of Schering-Plough Holdings and Schering-Plough Investments. Mr. Thomas continues as vice-president and regional director, consumer operations for Europe, the Midle East and Africa for the Schering-Plough Corporation, with which Scholl merged in 1979.

CORAL INDEX: Close 453-458 (−4)

BASE LENDING RATES

A.B.N. Bank	14 %	■ Guinness Mahon	§14 %
Allied Irish Bank	14 %	■ Hambros Bank	14 %
American Express Bk.	14 %	■ Hill, Samuel	§14 %
Amro Bank	14 %	C. Hoare & Co.	†14 %
Henry Ansbacher	14 %	Hongkong & Shanghai	14 %
AP Bank Ltd.	14 %	Keyser Ullmann	14 %
■ Arbuthnot Latham	14 %	Knowsley & Co. Ltd.	16 %
Associates Cap. Corp.	14 %	Langris Trust Ltd.	14 %
Banco de Bilbao	14 %	Lloyds Bank	14 %
BCCI	14 %	Edward Manson & Co.	15 %
Bank of Cyprus	14 %	Midland Bank	14 %
Bank of N.S.W.	14 %	■ Samuel Montagu	14 %
Banque Belge Ltd.	14 %	■ Morgan Grenfell	14 %
Banque du Rhone et de la Tamise S.A.	14½%	National Westminster	14 %
Barclays Bank	14 %	Norwich General Trust	14 %
Beneficial Trust Ltd.	15 %	P. S. Refson & Co.	14 %
Bremar Holdings Ltd.	15 %	Rossminster	14 %
Brit. Bank of Mid. East	14 %	Ryl. Bk. Canada (Ldn.)	14 %
■ Brown Shipley	14 %	Slavenburg's Bank	14 %
Canada Perm't Trust	15 %	E. S. Schwab	14 %
Cayzer Ltd.	14 %	Standard Chartered	14 %
Cedar Holdings	14 %	Trade Dev. Bank	14 %
■ Charterhouse Japhet	14 %	Trustee Savings Bank	14 %
Choulartons	14 %	Twentieth Century Bk.	14 %
C. E. Coates	14 %	United Bank of Kuwait	14 %
Consolidated Credits	14 %	Whiteaway Laidlaw	14½%
Co-operative Bank	*14 %	Williams & Glyn's	14 %
Corinthian Secs.	14 %	Wintrust Secs. Ltd.	14 %
The Cyprus Popular Bk.	14 %	Yorkshire Bank	14 %
Duncan Lawrie	14 %		
Eagil Trust	14 %		
E. T. Trust Limited	14 %		
First Nat. Fin. Corp.	16½%		
First Nat. Secs. Ltd.	16 %		
Robert Fraser	14 %		
Antony Gibbs	14 %		
Greyhound Guaranty	14 %		
Grindlays Bank	‡14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%. 1-month 11¾%. Short term £4,000/12 months 13.35%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £50,000 12%, and over £50,000 12½%.
‡ Call deposits £1,000 and over 11½%.
¶ 7-day deposits 12%.
§ Demand deposits 12%.

Public Works Loan Board rates

Effective from January 17

Years	Quota loans repaid by EIP†	Quota loans A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A‡	Non-quota loans repaid at maturity§
Up to 5	13⅞	13⅞	13⅞	14⅛	14⅛	14⅛
Over 5, up to 10	13⅞	14	14¼	14⅛	14¼	14⅜
Over 10, up to 15	14¼	14¼	14¼	14⅜	14⅜	14⅜
Over 15, up to 25	14¼	14¼	14¼	14⅜	14⅜	14⅜
Over 25	14¼	14¼	14¼	14⅜	14⅜	14⅜

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest.) § With half-yearly payment of interest only.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1980/81 High	1980/81 Low	Stock	Closing Price p	+ or −	Div. or Amount	Times Covered	Gross Yield	P.E. Ratio
S8	F.P.	5/2	335	290	✱Amer. Comm. Inds.	290	......	—	—	—	—
$100	F.P.	5/2	£41½	£37	✱Do. Notes 20%	£37	......	Q 20%	—	24.5	—
610	F.P.	—	650	600	✱Cramphorn	650	......	16.5	2.1	3.6	18.8
5¶	F.P.	—	7½	6½	✱Dunton 5p	7	......	—	—	—	—
107‖	F.P.	12/1	134	113	Independent Inv. 25p	117	−2	—	—	—	—
70	F.P.	9/1	100	78	✱Midland Marts	92	......	b3.75	2.0	5.8	12.3
100	F.P.	23/1	116	97	New Tokyo Inv Tst 50p	113	−2	—	—	—	—
50	F.P.	21/1	51	47	††Pennine	50	......	—	—	—	—
81¶	F.P.	—	106	99½	Sonic Sound Audio 10p	103	......	b4.48	1.9	6.2	10.0
**	F.P.	9/2	74	72	Westpool Inv. Defd	74	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount Paid Up	Latest Renunc. Date	1980/81 High	1980/81 Low	Stock	Closing Price £	+ or −
‖	F.P.	14/1	111	100½	Allied London 8½% Cnv. Uns. Ln. 1999	102½	......
¶	F.P.	26/2	107¾	106½	Chester Waterworks 9% Red. Pref. 1985	107	......
100p	F.P.	28/1	105½p	102p	Comben 11.375% Cum. Red. Pref.	105½p	......
‖	Nil	—	7pm	6½pm	Crystalate 9½% Cnv. Uns. Ln. '99-2000	7pm	......
¶	F.P.	26/2	107¾	106½	East Anglian Water 9% Red. Pref. 1985	107¼	......
¶	F.P.	26/2	107½	106¾	East Worcester 9% Red. Pref. 1985	107	......
¶	F.P.	26/2	105	104½	Essex Waterworks 8½% Red. Prf. 1985	104½	......
96	£20	—	21⅛	20¾	Iceland 14½% 2016	21⅛	+⅛
£100	£50	30/4	46	41	Lon. Merchant Secs. 7¾% CvUnsLn 2000-05	42	......
99	F.P.	23/3	101	98¾	Mid-Sussex W'rw'ks 14% Red. Deb. 1986-88	101	......
‖	F.P.	20/1	114p	107p	Paterson (R.) 11½% Cum. Cnv. Prf.	113p	−1
**	F.P.	21/1	100p	97p	Standard Industrial 11½% Pref	98p	......

"RIGHTS" OFFERS

Issue Price p	Amount paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1980/81 High	1980/81 Low	Stock	Closing price p	+ or −
30	Nil	—	—	7½pm	5pm	Benlox	5pm	−1
115	F.P.	12/1	26/2	141½	134	Brotherhood P.	138	+1
184	Nil	29/1	13/3	10pm	5pm	Johnson, Matthey	8pm	−2
140	F.P.	19/12	30/1	178	146	KCA Intnl.	146	......
25	F.P.	19/12	4/2	26⅛	25	L. K. Industrial	25	......
$A1.0555 cts	—	—	—	78	32	North Kalgurli Mines	34	−6
25	F.P.	21/1	13/2	26	24	Prestwich Parker	26	+2
320	F.P.	23/1	20/3	355	330	Royal Insurance	350	−5
60	F.P.	9/1	13/2	76	67	Security Centres	75	......
145	F.P.	19/1	16/2	202	174	Warren Plants	197	−1

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. *F* Dividend and yield based on prospectus or other official estimates for 1979. *Q* Gross. *T* Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✱ With warrants. †† Dealings under special Rule. ‡‡ Unlisted Securities Market. ‡‡ London Listing. ... settlement scheme. ‡‡ Units comprising 125 A Ord. & 6 12½% Com. Pref.

CURRENCIES, MONEY and GOLD

Interest rates hold the key

BY COLIN MILLHAM

Falling interest rates should be the key to a successful year for London's discount houses, now that earlier doubts about their position in the banking system seem to have been dispelled. Alexanders Discount and Union Discount announced 1980 trading results last week, with Alexanders turning a previous loss into a profit of £1.25m, while Union increased its profit by £1.27m to £3.35m.

Mr. Richard Petheridge, senior managing director of *Union Discount, suggested that* despite the good figures the first half of last year was not an easy time for the houses, and that the 1 per cent cut in Minimum Lending Rate on July 3 came as something of a surprise, although the following two per cent fall on November *24 was antcipated.*

This decline in interest rates seems likely to continue in 1981, encouraged by a steady fall in inflation. Against this background Union's view of the gilt edged market has become much more favourable. In the recent past the company's caution about holding gilts has been *more than justified, but even* at present interest rate levels the yield on Government stocks is high enough to run against the average cost of money.

Present conditions, where the money market can be expected to remain tight for the next few weeks, followed by a possible *fall in rates, has led to a pro*nounced reversed yield curve. This does not encourage the houses to run long books, because however improved their confidence may be the yield on one-month paper is higher than for the longer periods.

One possible problem in the coming year, which will not affect the larger houses, such as Union and Gerrard and National, is that however good *the market conditions, recent* poor results have significantly shrunk the size of the book run by some houses and made recovery much more difficult. It may be a case of the bigger houses continuing to grow, while the *smaller houses* have to run as hard as they can, just in order to survive

The evolution taking place in the market, and the possibility of much more volatile interest rates, may only tend to amplify this trend, putting increasing pressure on the smaller houses to merge. One thing seems certain, however, that the discount market will retain its unique position as a buffer *between the commercial banks* and the authorities.

THE POUND SPOT AND FORWARD

Jan. 23	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.4030-2.4120	2.4065-2.4075	1.15-1.25c disc	−5.98	2.70-2.80dis	−4.57
Canada	*2.8610-2.8880*	2.8640-2.8650	*0.85-0.95c dis*	−3.77	*1.95-2.10dis*	−2.83
Nethlnd.	5.28-5.32	5.31-5.32	2⅞-1⅞c pm	5.36	6½-5½pm	4.51
Belgium	78.10-78.70	78.60-78.70	26-16c pm	3.20	46-36pm	2.08
Denmark	14.94-15.05	15.03½-15.04½	1⅞-⅞ore pm	0.80	¼pm-1¼ dis	−0.20
Ireland	1.3060-1.3145	1.3130-1.3140	0.16-0.03p pm	0.87	0.31-0.15pm	0.70
W. Ger.	4.86-4.91	4.89½-4.90½	2⅞-1⅞pf pm	5.82	6¾-5¾ pm	5.00
Portugal	130.00-130.60	130.20-130.40	30c pm-60dis	−1.38	10.115 dis	−1.92
Spain	194.60-195.05	194.70-194.80	30-90c dis	−3.70	200-285dis	−4.98
Italy	2311-2322	2321-2322	2½-4½lire dis	−1.81	17-20dis	−3.19
Norway	12.64-12.71	12.67½-12.68½	3¾-2¾ore pm	2.90	8-6¾ pm	2.27
France	11.24-11.32	11.30¼-11.31¼	4¾-3¾c pm	4.51	9½-8¾ pm	3.27
Sweden	10.73-10.80	10.77½-10.78½	6⅞-7ore dis	−7.30	15½-16½dis	−5.91
Japan	482-490	487-488	3.20-2.50y pm	7.01	7.45-6.75pm	5.82
Austria	*34.35-34.65*	*34.53-34.58*	*15-12½gro pm*	4.77	*39-33 pm*	4.17
Switz.	4.40-4.44	4.42-4.43	3¼-2¾c pm	8.81	9¼-8¼ pm	7.91

Belgian rate is for convertible francs. Financial franc 78.70-78.80. Six-month forward dollar 4.65-4.75c dis, 12-month 6.10-6.30c dis.

THE DOLLAR SPOT AND FORWARD

Jan. 23	*Day's Spread*	*Close*	*One month*	*% p.a.*	*Three months*	*% p.a.*
UK†	2.4030-2.4120	2.4065-2.4075	1.15-1.25c dis	−5.98	2.70-2.80ds	−4.57
Ireland†	1.8310-1.8465	1.8310-1.8330	1.00-1.10c dis	−6.85	2.35-2.50ds	−5.27
Canada	1.1898-1.1922	1.1900-1.1903	0.17-0.12c pm	1.46	0.57-0.52pm	1.83
Nethlnd.	*2.2000-2.2055*	*2.2015-2.2025*	*2.17-2.07c pm*	*11.55*	*5.12-5.02pm*	9.21
Belgium	32.55-32.69	32.67-32.69	26½-25c pm	9.49	58-55 pm	6.94
Denmark	6.2200-6.2380	6.2310-6.2325	3¾-3¼ore pm	6.74	6.90-6.40pm	4.27
W. Ger.	2.0130-2.0380	2.0340-2.0350	2.00-1.95pf pm	11.65	4.83-4.78pm	9.45
Portugal	54.05-54.25	54.05-54.20	40-10c pm	6.53	75-15 pm	3.32
Spain	80.90-81.07	80.90-81.00	40-15c pm	4.08	20pm-10ds	0.25
Italy	959 90-963.85	963.35-963.85	4-3lire pm	4.36	4-2½pm	1.35
Norway	5.2620-5.2760	5.2695-5.2705	4½-4ore pm	9.68	9-8½pm	6.64
France	4.6810-4.6950	4.6900-4.6930	4.20-4.10c pm	10.63	9.45-9 25pm	7.98
Sweden	*4.4615-4.4800*	*4.4775-4.4790*	*0.50-0.65ore dis*	*−1.54*	*3.60-3 75ds*	*−3.28*
Japan	201.20-202.70	202.55-202.65	2.05-1.90y pm	11.70	5.00-4 85pm	9.72
Austria	14.31-14.36	14.33½-14.34½	13-10-12.50grpm	10.71	31.50-30.00pm	8.58
Switz.	1.8300-1 8410	1.8375-1.8385	2.36-2.26c pm	15.08	5.82-5 72pm	12.56

† *UK and Ireland are quoted in U.S. currency.* Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

GOLD

	Jan 23		Jan. 21	
Gold Bullion (fine ounce)				
Close	$551-554	(£228¾-230)	$557-560	(£231¾-235½)
Opening	$555-558	(£230¾-232)	$568-571	(£235-236½)
Morning fixing	$552	(£229.283)	$567	(£234.298)
Afternoon fixing	$553	(£229.565)	$564	(£233.395)
Gold Coins				
Krugerrand	$570-572	(£236½-237½)	$572-574	(£237½-238¼)
1/2 Krugerrand	$293-297	(£121½-123¼)	$293-297	(£122½-123¼)
1/4 Krugerrand	$149-153	(£61¾-63½)	$149-153	(£61¾-63½)
1/10 Krugerrand	$60-64	*(£25-26½)*	$60-64	*(£25½-26½)*
Mapleleaf	$566-569	(£235-236¼)	$568-571	(£235½-237¼)
New Sovereigns	$139½-140½	(£58-58½)	$140½-141½	(£58¼-58¾)
King Sovereigns	$167-169	(£69¼-70¼)	$169-171	(£70-71)
Victoria Sovs	$167-169	(£69¼-70¼)	$169-171	(£70-71)
French 20s	*$157-159*	*(£65½-66)*	*$155-157*	*(£64¼-65¼)*
50 pesos Mexico	$687-690	(£285¼-286½)	$703-706	(£292-293¼)
100 Cor. Austria	$542-545	(£225-226½)	$554-559	(£230-232)
$20 Eagles	$679-682	(£282-283½)	$686-690	(£284¾-286½)

OTHER CURRENCIES

Jan. 23	£	$		£ Note Rates
Argentina Peso	4843-4863	2003-2224	Austria	34.25-34.65
Australia Dollar	2.0385-2.0425	0.8470-0.8475	Belgium	78.10-78.90
Brazil Cruzeiro	164.03-165.03	68.10-68.44	Denmark	14.95-15.10
Finland Markka	9.384-9.400	3.9060-3.9070	France	11.20-11.30
Greek Drachma	112.815-116.085	47.60-47.70	Germany	4.86-4.90½
Hong Kong Dollar	12.49¾-12.51	5.1930-5.1950	Italy	2305-2400
Iran Rial	174.75*	72.90*	*Japan*	482-488
Kuwait Dinar(KD)	0.649-0.655	0.2714-0.2716	Netherlands	5.27¼-5.32½
Luxembourg Frc.	78.60-78.70	32.67-32.69	Norway	12.63-12.75
Malaysia Dollar	5.3580-5.3690	2.2265-2.2285	Portugal	127-142
New Zealand Dlr.	2.5045-2.5095	1.0400-1.0410	Spain	189½-200
Saudi Arab. Riyal	*7.98-8.04*	*3.3310-3.3330*	Sweden	*10.77-10.87*
Singapore Dollar	5.0040-5.0150	2.0795-2.0815	Switzerland	4.40-4.44½
Sth. African Rand	1.8040-1.8050	0.7495-0.7500	United States	2.39¼-2.41¾
U.A.E. Dirham	8.80-8.86	3.6710-3.6730	Yugoslavia	81-84

Rate given for Argentina is free rate. * Selling rate.

FT LONDON INTERBANK FIXING (11.00 a.m. JANUARY 23)

3 months U.S. dollars		6 months U.S. dollars	
bid 19 1/16	offer 19 5/16	bid 17 11/16	offer 17 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates of $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Jan. 23	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	14¾-15	19-19¼	16½-17½	9⅛-9¼	2½-3	8⅞-8⅞	10⅜-10⅝	15-17	—	6⅞-7⅛
7 days' notice	14¾-15	19⅛-19⅜	16½-17½	9⅛-9¼	11½-12	8⅞-9	10⅜-10⅝	15¼-17¼	11⅜-11½	8¼-8½
Month	14⅜-14⅝	20⅛-20⅜	17-17⅜	9⅛-9¼	5⅞-6	9-9⅛	10⅞-10⅞	16¼-17¼	11⅜-11⅞	8⅛-8¼
Three months	14⅛-14⅜	18¾-19	16⅞-17¼	9⅜-9½	5⅞-6⅛	9⅛-9⅜	10⅞-11	17⅜-18⅜	12⅛-12¼	8⅛-8⅜
Six months	13⅝-13¾	17⅜-17⅝	16¾-16⅞	9⅛-9⅜	6-6⅛	9⅛-9⅜	11⅞-12⅛	17½-18½	12⅜-12⅝	8⅛-8⅜
One Year	13⅛-13⅜	16¼-16½	14¾-15⅛	9¾-9⅞	6-6⅛	9-9⅛	12⅛-12	17⅜-18⅜	12½-12¾	8⅛-8⅜

SDR linked deposits: one-month 14⅛-14⅜ per cent; three-months 13⅞-14⅛ per cent; six-months 13⅞-13⅞ per cent; one year 12⅞-13⅛ per cent.

Asian $ (closing rates in Singapore) one-month 20⅛-20⅜ per cent; three-months 19⅛-19⅜ per cent; six-months 17⅜-17⅝ per cent; one year 16⅛-16⅜ per cent. Long-term European two years 15⅜-15½ per cent; three years 14⅞-15⅛ per cent; four years 14⅝-15⅛ per cent; five years 14½-14⅞ per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 19.00-19.10 per cent; three-months 18.40-18.50 per cent; six-months 16.90-17.00 per cent; one year 15.80-15.90 per cent.

LONDON MONEY RATES

Jan. 23 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market deposits	Treasury Bills ✱	Eligible Bank Bills ✱	Fine Trade Bills ✱
Overnight	—	14-20	15-16	—	—	—	14	—	—	—
2 days notice	—	—	14⅝-14⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14⅝-15¼	14⅝	—	14⅞	—	13⅞-14	—	—	—
One month	14⅛-14⅜	14⅜-14⅝	14⅛	15⅜-15⅝	14¾	14¾-15	13⅝	12⅞	13⅞-13⅞	14¾
Two months	14⅛-14⅜	14⅛-14⅜	—	15-15¼	14⅜	14¾	13⅝	12⅞-12⅞	13⅝-13⅞	14½
Three months	14⅛-13⅞	14⅛-14⅜	14¼-14⅝	14¼-14½	14⅜	14¾	13¼	12⅞-12⅞	13⅛-13⅜	14
Six months	13⅞-13⅞	13⅞-13⅞	13⅞-13⅝	13½-13¾	13⅞	14⅛	—	—	12⅝	13⅛
Nine months	13⅞-13⅛	13⅞-13⅞	—	13⅝-13⅞	13⅞	14⅛	—	—	—	—
One Year	13⅛-12⅞	13⅞-13⅝	13⅝	13¼-13½	13⅝	14⅛	—	—	—	—
Two years	—	—	13½-13⅝	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13⅞-13¾ per cent; four years 13¾ per cent; five years 13¾ per cent. ✱Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13⅛ per cent; four-month trade bills 13¾ per cent.

Approximate selling rate for one-month Treasury bills 12⅞-12⅞ per cent; two-months 12⅞-12⅞ per cent; three-months 12¾ per cent. Approximate selling rate for one-month bank bills 13¾ per cent; two-months 13⅞-13⅞ per cent; three-months 13⅛ per cent; one-month trade bills 14½ per cent; two-months 14¼ per cent and three-months 13¾ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 15½ *per cent from January 1, 1981.* Clearing Bank Deposit Rates for sums at seven days' notice 11½-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 12.7541 per cent.

CURRENCY RATES

Jan. 23	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	0.525555	0.529711
U.S. $	13	1.26396	1.27581
Canadian $	16.97	1.50462	1.51987
Austria Sch.	6¾	18.1656	18.3079
Belgium F.	12	41.2304	41.5499
Danish K.	11	7.87331	7.95085
D'mark	7½	2.56521	2.58543
Guilder	8	2.78703	2.80933
French Fr.	9½	5.92924	5.97653
Lira	16½	1217.85	1228.29
Yen	7¼	254.688	257.076
Norwgn. Kr.	9	6.65655	6.72033
Spanish Pts.	8	102.254	103.404
Swedish Kr.	12	Unavail	5.71053
Swiss Fr.	3	2.32215	2.33984
Greek Dr'ch.	—	*Unavail*	*60.8115*

LOCAL AUTHORITY BOND TABLE

Authority (*telephone number in parentheses*)	Annual gross interest %	Interest payable	Minimum sum £	Life of bond Year
Burnley (0282 25011)	13⅝	½-year	500	2
Knowsley (051-548 6555)	13½	½-year	1,000	5-7
Sefton MBC (051-922 4040)	13¼	½-year	2,000	2-5

OFFSHORE & OVERSEAS—contd.

Frankfurt Trust Investment—GmbH
Neue Mainzer Strasse 74-76, D-6000 Frankfurt
FT-Interzins | DM37.49 | 40.97 | +0.03 | —
Frankft. Effekt. Fd. | DM50.22 | 52.86 | −0.15 | —

Free World Fund Ltd.
Butterfield Bldg., Hamilton, Bermuda.
NAV Dec. 31 | US$152.19 | — | —

G.T. Management Ltd.
Park Hse., 16 Finsbury Circus, London EC2
Tel: 01-628 8131. TLX: 886100
London Agents for:
Anchor 'B' Units | US$1.78 | 1.89 | | 1.19
Anchor Gilt Edge | £9.12 | 9.18 | +0.04 | 13.85
Anchor Int. Fd. | US$8.69 | 8.92 | | 1.18

Phoenix International
PO Box 77, St. Peter Port, Guern. 0481 26590
Inter-Dollar Fund | US$3.06 | 3.30 | — | —
Far East Fund | US$2.57 | 2.78 | — | —
Intl. Currency Fund | US$1.70 | 1.84 | — | —
Dollar Fxd. Int. Fund | US$2.26 | 2.44 | +0.01 | —
Ster. Exempt Gilt Fd. | £1.39 | 1.50 | — |

Providence Capital Life Ass. (C.I.)
PO Box 121, St Peter Port, Guernsey 0481 26726/9
Sterling Bond Fd. | 49.3 | 51.7 | — | —
Sterling Equity Fd. | 64.0 | 67.2 | — | —
Intnl. Bond Fd. | US$1.03 | 1.08 | — | —
Intnl. Equity Fd. | US$1.10 | 1.15 | — | —
Prices at Jan. 22. Next dealing Jan. 28.

Quest Fund Mngmnt. (Jersey) Ltd.
PO Box 194, St. Helier, Jersey. 0534 27441
Quest Stlg. Fxd. Int. | £0.796 | 0.843 | — | 13.64
Quest Intl. Secs. | $1.195 | 1.285 | — | 2.20
Quest Intl. Bd. | US$0.854 | 0.904 | — | 11.80
Prices on Jan. 21. Next dealing Jan. 28.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Crágmount Unit Tst. Mgrs. Ltd.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)

Darlington Unit Trust Mngt. Ltd.

Discretionary Unit Fund Managers

E.F. Winchester Fund Mngt. Ltd.

Emson & Dudley Tst. Mngmt. Ltd.

Equity & Law Un. Tr. M. (a)(b)(c)

Fidelity International Mngt. Ltd.

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd. (a)

Friends' Provdt. Trust Mgrs. (a)(b)(c)

Funds in Court

G.T. Unit Managers Ltd.

G. & A. Trust (a)(g)

Gartmore Fund Managers (a)(g)

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a)(b)(c)

Hill Samuel Unit Tst. Mgrs. (a)

Investment Intelligence Ltd. (a)(g)

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers

For Saturn Fund Mngt. see SIMCO

L. & C. Unit Trust Management Ltd.

Lawson Secs. Ltd. (a)(c)

Legal & General (Unit Tst. Mngrs.) Ltd.

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd.

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Trust

M & G Group (y)(c)(z)

Manulife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.

Minster Fund Managers Ltd.

MLA Unit Trust Mngemt. Ltd.

Murray Johnstone U.T. Mgmt. (a)

Mutual Unit Trust Managers (a)(g)

National Provident Inv. Mngrs. Ltd.

National Westminster (a)

NEL Trust Managers Ltd. (a)(g)

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt. (a)

Practical Invest. Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd. (a)(b)(c)

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management (g)

Rowan Unit Trust Mngt. Ltd. (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

Save & Prosper Group

Schroder Unit Trust Managers

Scottish Equitable Fnd. Mgrs. Ltd.

Security Selection Ltd.

SIMCO Money Funds

Stewart Unit Tst. Managers Ltd. (a)

Sun Alliance Fund Mngt. Ltd.

Target Tst. Mngrs. Ltd. (a)(g)

Tower Unit Trust Mngt. Ltd.

Trades Union Unit Tst. Managers

Transatlantic and Gen. Secs. Co. (y)

TSB Unit Trusts (y)

Tyndall Managers Ltd. (a)(c)(z)

Ulster Bank (a)

Unit Trust Account & Mgmt. Ltd.

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Black Horse Life Ass. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance

Charterhouse Magna Gp.

Chieftain Assurance Funds

City of Westminster Assurance

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life

Crusader Insurance Co. Ltd.

Eagle Star Insur./Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Equity & Law (Managed Funds) Ltd.

F. & C. Group

Family Assurance Society

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance Limited

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.

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Merchant Investors Assurance

M & G Group

NEL Pensions Ltd.

NPI Pensions Management Ltd.

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Sun Alliance Linked Life Ins. Ltd.

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INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan.	July	Hargreaves 20p	40	8.12	3.96	2.2	14.1	(3.8)
Jan.	Aug.	Harris (Ph.) 20p	61xd	12.1	5.5	1.6	12.9	(5.8)
May	Nov.	Harris & Sheldon	29	29.9	3.0	2.3	14.8	4.0
July	Feb.	Hawkins & Tipson	28	24.12	1.0	♦	5.1	♦
July		Hawtin 5p	9	2.6	0.25	8.6	4.0	3.1
Dec.	June	Hay (Norman) 10p	68	27.10	‡3.35	1.7	[illegible]	11.7
December		Hensher 'A' 10p	101	19.11	♦2.5	3.5	3.5	11.6
Jan.	June	Hepworth Cmc.	95	15.9	5.0	3.3	7.5	4.7
Mar.	Sept.	Hestair	25	1.9	1.0	1.0	5.7	(11.8)
May		Hewitt (J.)	40	14.4	1.5	9.8	5.4	2.2
Dec.	July	Highgate & Job 50p.	38	26.6	—	—	—	—
July	Nov.	Hill (Chas.) £1	42	21.5	—	—	—	—
Nov.	Apr.	Hirst Mal'son 20p	16	28.8	‡2.6	1.4	‡	(3.1)
Jan.	July	Holden (A.)	92	8.12	5.0	3.3	7.8	4.5
Feb.	Sept.	Hollis Bros	30	17.79	‡1.4	—	[illegible]	—
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCE—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan.	July	Heath (C.E.) 20p.	167	8.12	†s9.66	2.2	8.3	7.1
Oct.	Mar.	Hogg Robinson	101	11.8	5.7	2.2	8.3	7.7
Oct.	Apr.	Howden (A.) 10p.	90	14.4	7.0	1.7	11.1	7.0
—		Do. Warrants	£35	—	—	—	—	—
Dec.	June	Legal & General	207	29.9	†7.6	—	5.2	—
Nov.	May	Lon. & Man. 5p	192	13.10	†8.75	—	6.5	—
June	Oct.	London United 20p	180	15.9	9.0	2.3	7.1	8.7
F.M.A.N.		Marsh McLen'n $1	£12¾	7.1	Q52.00	1.8	6.5	8.6
Nov.	June	Minet Hldgs. 20p.	86	13.10	†4.47	2.8	7.4	8.3
Mar.	Aug.	Moran (Chris) 20p	21#	30.6	4.0	1.2	27.2	4.4
Oct.	June	Pearl 5p	416	1.9	17.0	—	5.8	—
Dec.	June	Phoenix	248	10.11	†13.3	—	7.7	—
Dec.	July	Provident	192	24.11	†10.2	—	7.6	—
Nov.	May	Prudential	227	13.10	†9.5	—	6.0	—
Nov.	May	Refuge 5p	212	29.9	†10.6	—	7.1	—
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Australian

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Acmex 50c	37	—	Q2.5c	—	3.4
—		ACM 20c	17	—	—	—	—
—		Bond Corp.	145	—	Q7.5c	1.9	2.6
Nov.	Apr.	Bougainville Kina	83	7.3	[illegible]	1.0	16.3
—		CRA 50c	245	974	tQ25c	2.1	3.0
—		Canada Northwest	19	—	—	—	—
—		Carr Boyd 20c	23	—	—	—	—
—		Central Pacific	330	—	—	—	—
—		Coltus Pacific N.L.	39	—	—	—	—
—		Eagle Corp. 10c	23	—	—	—	—
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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FINANCIAL TIMES
Monday January 26 1981

Moslems to urge world boycott of Israel

By Richard Johns in Taif

A PLAN for a world-wide Moslem embargo against Israel is expected to be approved here by the Islamic summit conference, which began yesterday with a ceremonial opening in the Grand Mosque of Mecca.

The idea is to extend the embargo already imposed by the Arab League, whose members constitute nearly half those represented at this conference. Details of the scope of the new proposal are still scanty.

Twenty-eight Heads of State are present, meeting amid draconian security at the first Islamic summit for six years. Ten other countries and the Palestine Liberation Organisation are also represented.

Israeli's formal declaration last year that Jerusalem would be the country's "undivided and eternal capital" has been the main impetus behind this conference.

Establishment of an "Islamic boycott office" is likely to be included in the conference's final declaration. This is understood to have been one proposal of the preparatory Jerusalem Commission which met under King Hassan of Morocco after the Foreign Ministers meeting last May.

A secondary boycott, blacklisting foreign companies maintaining economic, commercial or financial relations with Israel, would be set up. Any Government treating Jerusalem as a capital city by making official visits, signing agreements or presenting letters of credence there will be threatened with punishment.

The proposal causes special problems for Turkey—the only Islamic country to maintain diplomatic relations with Israel. It may need to reconsider these links.

In anticipation of the conference debate, Mr. Altfar Turkman, the Turkish Foreign Minister, pleaded that diplomatic representation had been reduced to the level of second secretary, and Turkey's commercial office in Tel Aviv had closed.

Little hope is harboured of the summit making any immediate progress towards a settlement of the Iraqi-Iranian conflict. Iran is absent because of its objection to the presence of President Saddam Hussein of Iraq, who emphasised the continuing conflict by arriving in uniform on Saturday.

A five-man mission from the Islamic conference has recently returned from Tehran.

Condemnation of the Soviet invasion of Afghanistan is likely to be very much less vigorous than Saudi Arabia and some other participants want.

Before evening prayers last night, King Khaled of Saudi Arabia, in an address read by Crown Prince Fahd, castigated the "imperialist invasion of Moslem Afghanistan

But objection to any specific mention of the Soviet Union in the summit's final resolution are likely to come from Syria, and the People's Democratic Republic of Yemen.

Weather

UK TODAY

MILD, CLOUDY. Bright intervals in S., rain in W. and N.

London, S.E. and C.S. England, E. Anglia, Midlands
Fog patches. Bright intervals later.

Aberdeen, Moray Firth, N.E. Scotland, Orkney, Shetland
Snow on hills. Dry at first, rain later.

Rest of England and Scotland, Wales, N. Ireland, Channel, I.o.M.
Rain. Bright intervals

Outlook: Dry, very mild.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	12	54	Locarno	F	3	37
Algiers	S	16	61	London	F	8	46
Amsdm.	F	7	45	L. Ang.†	F	11	52
Athens	S	12	54	Lxmbg.	Fg	0	32
Barclna.	S	12	54	Luxor	S	18	64
Belfast	C	7	45	Madrid	S	9	48
Belgrd.	S	0	32	Majorca	S	13	55
Berlin	C	3	37	Malta	F	15	59
Biarritz	C	6	43	M'chstr	C	7	45
Bmghm.	F	8	46	Melbne.	S	32	90
Blackpl.	F	7	45	Miami†	F	11	52
Bordx.	S	4	39	Milan	F	3	37
Boulgn.	F	7	45	Montrl.†	F	−17	1
Bristol	F	9	48	Moscow	C	−6	21
Brussels	F	7	45	Munich	C	0	32
Budpst.	S	−5	23	Nairobi	S	27	81
Cairo	S	17	63	Naples	S	9	48
Cardiff	F	7	45	Nwcstl.	S	7	45
Cs'b'ca	C	16	61	N. York†	F	−4	25
Cape T.	R	18	64	Nice	S	12	54
Chicg.†	C	5	41	Nicosia	F	13	55
Cologne	C	5	41	Oporto	S	15	59
Cpnhgn.	Sl	3	37	Oslo	S	3	37
Corfu	S	11	52	Paris	C	9	48
Denver†	F	3	37	Perth	S	28	82
Dublin	C	7	45	Prague	C	−3	27
Dbrvnk.	S	6	43	Rykjvk.	C	−7	19
Ednbgh.	F	6	43	Rhodes	R	11	52
Faro	S	14	57	Rome	S	10	50
Florence	F	5	41	Salzbrg.	C	−3	27
Frankft.	C	0	32	S'ciscot	F	5	41
Funchal	F	18	64	Stckhm.	F	2	36
Geneva	C	−2	28	Strasbg.	C	0	32
Gibrltr.	F	15	59	Sydney	F	29	84
Glasgow	C	5	41	Tangier	S	17	63
G'rnsey	C	8	46	Tel Aviv	S	16	61
Helsinki	C	2	36	Tenerife	F	14	57
H. Kong	C	17	63	Tokyo	C	9	48
Innsbrk.	S	−6	21	T'r'nto†	Fg	−8	18
Inv'ness	S	5	41	Tunis	F	14	57
I.o.Man	C	8	46	Valencia	S	12	54
Istanbul	F	8	46	Venice	F	5	41
Jersey	F	9	48	Vienna	Sn	1	34
Jo'burg	R	17	63	Warsaw	Sn	0	32
L. Plms.	S	19	66	Zurich	C	−5	23
Lisbon	S	12	54				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.
†Noon GMT temperatures.

Carter aides defend Iran deal as hostages fly home

BY DAVID BUCHAN IN WASHINGTON

TOP MEMBERS of the former Carter Administration yesterday mounted a concerted defence of the hostage release agreements they negotiated with Iran, as the 52 freed U.S. diplomats arrived home.

Public welcome ceremonies are planned later in the week for the 50 men and two women who yesterday left Wiesbaden, West Germany for the West West Germany for the West Point Military Academy in New York State. A 170-room hotel there was reserved for them and their relatives.

They reached New York after a two-hour refuelling stop at Shannon Airport where Mr. Charles Haughey, the Irish Prime Minister, greeted them.

Tomorrow they will fly to Washington DC to be feted by President Ronald Reagan at the White House.

Growing evidence that the 52 were badly mistreated during their 14½ months captivity in Iran—though any lasting injury seems to be more pyschological tan phiysical—has fuelled pressure on Mr. Reagan to repudiate unfulfilled parts of the hostage release agreements.

But yesterday, Mr. Warren Christopher, who as Mr. Carter's Deputy Secretary of State led the negotiations with Iran, said such a move would be a blow to U.S. credibility around the world.

In particular, it would be "a slap in the face" for Algeria whose intermediary role was than physical—has fuelled pres- absolutely crucial to getting the Americans freed. Mr. Christopher said. His words were echoed by Mr. Edmund Muskie, the former Secretary of State in a television interview yesterday.

If ever its diplomats were seized again, the U.S. would have need of third country mediators, such as Algeria, who could count on the U.S. to live up to its word.

It is suggested here that, when he meets the former hostages tomorrow, the new President will declare that the U.S. will henceforth consider any seizure of its diplomats or embassies abroad, with the connivance of a foreign government as was the case in Iran, as an "act of war."

Mr. Muskie offered no comment on this speculation, but said the international community should formalise sanctions—such as the cutting of diplomatic and trade ties—on regimes which violate the code of diplomatic immunity.

The Reagan Administration now seems likely, after an extensive review of the controversial agreements with Iran, to implement at least the bulk of their financial and legal terms.

Mr. Lloyd Cutler, the top lawyer in the Carter White House who was interviewed yesterday alongside Mr. Muskie, listed what he thought were the favourable elements

Iran got back immediately only one quarter of its $12bn frozen assets—U.S. banks were being repaid in full and at once on their loans to Iran — and other U.S. claimants against Iran would have recourse to an international tribunal with at least $1bn out of which to pay claims.

Iran was to pay 100 cents in the dollar on compensation awards made by the new tribunal—unlike previous settlements with countries like China and Hungary, in which U.S. claimants had got less than 50 cents.

Bani Sadr's attack on deal, Page 2

Jobless total may reach 2.4m

BY JOHN ELLIOTT AND PETER RIDDELL

A VERY large rise in unemployment over the past month will be confirmed by official figures due out tomorrow.

Moreover, a continuing poor jobs outlook in the next few months will probably be indicated by the Confederation of British Industry's quarterly industrial trends survey to be published on Wednesday.

Mr. James Prior, Employment Secretary, has already warned that the mid-January figures will be "appalling" and show "a very big rise."

There is usually a rise of about 70,000 between December and January for seasonal reasons and the recent underlying monthly rise has been more than 100,000. On this basis, the unadjusted "headlines" total (including school leavers) could jump from 2.24m last month to between 2.4m and 2.5m.

A more significant economic indicator is the underlying adult total (seasonally adjusted), especially as there had been some signs last month that the rate of growth might have stopped accelerating. The adult total was 2.13m in mid-December.

The recent sharp rise in unemployment reflects a continuing decline in employment as companies declare redundancies and cut back on recruitment.

The CBI survey is likely to show that manufacturing companies expect their labour force to continue to decline sharply in the next few months.

In October the CBI forecast that the number of people employed in manufacturing would drop by 180,000 by the end of January.

Further labour shedding is now expected even though the survey will probably show that the rate of decline in manufacturing activity is beginning to slow.

It is, however, too early to draw any firm conclusions about whether this mean that companies are making a major effort to improve efficiency and productivity by continuing to slim workforces.

If this was happening, the Government would be able to claim that its economic policy had been successful

The CBI will probably stress when it publishes its survey, that the gradual slowdown in the rate of decline in manufacturing activity does not mean that there is any real improvement.

This now is in line with evidence from other surveys and from the industrial production indices which suggest only a moderation in the rate of decline

Lombard, Page 10

Chapple set to fight conference decision

By John Lloyd, Labour Correspondent

RIGHT-WING and centrist trade union leaders believe that the Labour Party conference decision on the electoral college will damage the public perception of unions, and intend to fight for its reversal.

Mr. Frank Chapple, general secretary of the Electrical and Plumbing Trades Union and the principal Right-winger among senior trade union leaders, last night welcomed the formation of the Council for Social Democracy and promised to "fight the first real battle" against the Left.

Mr. David Basnett, general secretary of the General and Municipal Workers' Union, who saw his union's motion for giving half the college votes to MPs narrowly defeated, said the result was "clearly disappointing to the leader of the party and something which will surely be raised again at this year's party conference."

However, Mr. Chapple said he would not attempt to disaffiliate his union from the Labour Party—for the moment.

He warned that "so far, no real battle has been fought.

"We have to join that fight within the party, get delegates elected, who go along week after week to win back the ground the left has got."

Choice

Mr. Chapple said that to leave the party he would have to get the agreement of the union's political committee, its executive council and a majority of the members on a ballot vote.

"I don't think that a question for now or for the next few months," he said.

However, he said a choice to leave depended largely upon the party's national executive committee. "If they make a real fight back impossible, then we would have to think again."

On Wednesday, the NEC will discuss the EPTU's attempt earlier this year to affiliate a number of its members to the Bermondsey constituency, whose general management committee has a Left-wing majority.

The Secretary of Bermondsey Constituency Labour Party complained to the party that the EPTU members were being affiliated without the knowledge of their branches.

Ratified

The party's organisation committee froze the affiliation earlier this month against the advice of its national agent. That decision has to be ratified by the NEC on Wednesday.

Mr. Bill Whateley, the general secretary of the Union of Shop Distributing and Allied Workers, whose surprising motion was ultimatel successful on Saturday —said it was "time for those who call themselves moderates to get off their behinds and work within the Labour Party."

He said the position of the union "is one of moderation and will, I hope, continue to be one of moderation."

Engineers rebuff draft charter

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

THE Engineering Council, the Government's proposed new body for professional engineers, has suffered a setback with the rejection by engineering institutions of fundamental aspects of the draft charter.

It became clear that these bodies find the charter unacceptable, following a meeting last week of the board of the Council of Engineering Institutions and discussions within the Fellowship of Engineering — a body made up of many of the most senior engineers in industry and the academic world.

Objections to specific clauses in the charter seem to reflect deep disquiet about the composition of the governing body of the Engineering Council, and even about the purposes which prompted the Government to set it up.

It is proposed that the Engineering Council should act as an "engine of change"—a phrase taken from the report of the Finniston inquiry into the engineering profession—and that it will award the title of Chartered Engineer to qualified candidates.

The latter function is exercised by the Council of Engineering Institutions at present, and until it decides to surrender this part of its charter (like the proposed Engineering Council the CEI is a chartered body) the new group cannot perform this function.

Far East behind gold price fall

BY DAVID MARSH

A BIG increase in gold flows from the Far East on to Western bullion markets last year, reversing the wave of buying from the area in 1979, has emerged as one of the prime factors behind the sharp fall in the gold price in the last 12 months.

Heavy selling of Far East investment hoards last year coincided with a sharp fall in demand for jewellery after the New Year price surge, which brought the metal to a peak of $850 per ounce, last January. It has since fallen to about $550.

The result was that Hong Kong and Singapore became net suppliers to the London and Zurich bullion markets last year, for the first time in at least a decade.

The swing between the 1979 net gold inflows from Europe and last year's net outflows was probably close to 200 tonnes, according to Hong Kong and Singapore trade statistics.

This large-scale dishoarding from the Far East, where gold owners are notoriously sensitive to price changes, more than offset the reduced supplies last year from the two main producers, South Africa and the Soviet Union. It was also accompanied by similar heavy selling from private investors from the Middle East.

Figures from the Singapore Department of Statistics show that total Singapore gold exports rose to 59.7 tonnes worth about £510m in the first 10 months of 1980 — against imports of 13.8 tonnes (worth about £110m).

This was a dramatic turnround from exports of 19.1 tonnes and imports of 65.5 tonnes during the gold-buying boom of 1979.

Hong Kong's gold imports in the first half of 1980 dropped to 20.4 tonnes from 104.6 tonnes during the whole of 1979, according to official Hong Kong Statistics. Exports between January and June totalled 6.8 tonnes against 9.2 tonnes in 1979.

Labour Continued from Page 1

remain to be convinced of the wisdom of allowing another force into British politics. They would prefer the dissidents to join the Liberals.

The statement of intent makes it clear, however, that Mr. Jenkins, former Labour deputy leader and president of the European Commission, and the Gang of Three see the new grouping as a means of rallying all those committed to the values, principles and policies of social democracy.

They are interested neither in joining the Liberals nor in seeking to reverse policy trends in the Labour Party which they believe would not be practicable under Mr. Foot's leadership.

There will undoubtedly be an angry response from unsympathetic MPs who will demand that the dissidents should either stay with Labour or get out, rather than plot to set up a rival party while retaining their Parliamentary seats and the benefits of party membership.

Mr. Eric Heffer, a leading Left-wing member of the National Executive Committee, said in a statement that Labour Party members were entitled to ask the dissidents what sort of realignment they envisaged. "I am the last person as ask anyone to leave the party . . . but if realignment means an alliance with anti-Labour forces, that is a different scene."

Saturday's conference was a considerable setback for Mr. Foot who had put all his influence behind the moderate formula of 50 per cent of the votes in an electoral college for MPs and 25 per cent each for the unions and local parties.

It was also a triumph for Mr. Tony Benn, whose ability to change the course of Labour politics is considerable. His campaign to introduce more "democracy" and "accountability" into Labour's constitution has already made enormous progress.

M. Mao Continued from Page 1

with Jiang was referred to as a "principal culprit," was also given a suspended death sentence. Zhang, 63, is believed to be suffering from cancer.

Wang Hongwen, 45, former party vice-chairman and protégé of the late chairman, was unexpectedly given life imprisonment in spite of having turned State's evidence to testify against fellow members of the Gang.

Yao Wenyuan, 49, the vitriolic party propagandist of the cultural revolution—who appears to have lost his mental balance during captivity—was sentenced to 20 years' imprisonment.

The trial lasted some five weeks. The 35-member judging panel deliberated for about a month on the sentences which were the subject of apparent disagreement in the Politburo.

The Gang of Four were arrested on October 6, 1976, just weeks after Mao Tse-tung's death. The four were not seen again in public until they were brought before a Peking court late last year.

Members of the Gang were accused of crimes including persecuting to death thousands of officials.

Also sentenced yesterday were the six associates of Lin Biao, the former Defence Minister who was killed in a plane crash while trying to escape China in 1971 after an abortive coup attempt.

Marshal Lin's associates received sentences ranging from 16 to 18 years, but they will be due for release at the end of this decade as they have already served 10 years in jail.

Chen Boda, 76, the now broken former personal assistant to Chairman Mao, who was allegedly involved with both the Gang of Four and Lin Biao, was sentenced to 18 years' gaol.

Among the charges levelled specifically against Mme. Mao was that she personally ordered the interrogation and torture of officials in her attempts to expose Wang Guangmei, Liu Shaoqui's widow, as a spy for the U.S. Central Intelligence Agency.

THE LEX COLUMN

Bank orchestrates new instruments

The Bank of England does not normally introduce innovations into its method of operation except under pressure. At the moment, yields on long-term Government debt of nearly twice the inflation rate annualised over the last six months are signalling some sort of pressure clearly enough. So even if the Bank's latest idea—a short-dated stock with tapering conversion rights into a longer bond—is a roaring success, the informal working party which has been set up to look into new ways of issuing short-term debt will have plenty of work to do.

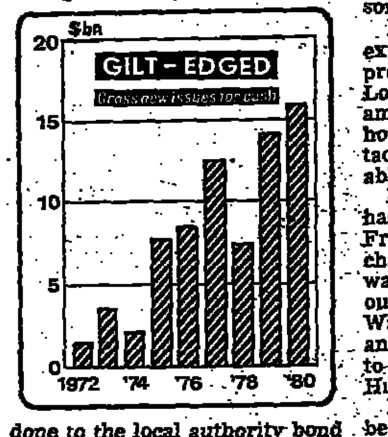
There is no funding crisis at the moment, but the authorities cannot afford to allow one to develop later this year. The tactic of raising short term rates to sell stock and resolve a funding impasse, which has been repeated ad nauseam over the past few years, would be more inappropriate than ever this spring if, say, the financial markets responded badly to the coming Budget. It is not just that the Government is desperate ot reduce interest rates. There is also a growing suspicion that institutional cash inflows are slipping.

Everybody seems to agree that the Government must tap the savings markets; Greenwell's monetary bulletin has argued that the very high liquidity of the personal sector must be mopped up if inflation is not to be rekindled. But the saver seems very hard to tempt. It must be right for the personal sector to buy either gilt-edged or Granny bonds at the moment —that neither seem to be selling particularly well is symptomatic of general confusion and unease. The medium-term financial strategy, designed to produce favourable expectations of the future, has so far resulted in unusual uncertainty. Small savers are too risk-averse to find either of the two long term alternatives attractive.

There are two possible—and conflicting — motives for the Government to tap the short-term credit markets for very large sums. The first, which everyone can applaud, is to leave the long bond markets open for industrial and commercial borrowers.

The other is far more greedy. It is that the Government, having outstayed its welcome in the long bond markets, has to move elsewhere if it is to increase its share of the total credit on offer. The long end would not be abandoned, simply left fallow for a month or two.

Past experience suggests it should not necessarily be assumed that the authorities' motives are virtuous. It used to be argued that the medium-term bond market—around 7 or 8 years life, in particular—should be avoided by the Government Broker because of the damage that might otherwise be



done to the local authority bond markets. Competition from shorter- and longer-dated Government stock killed off the local authority bond market anyway, and now the middle ground is the preserve of the G.B.

It is important that any new funding initiative should be seen as something more than monetary sleight-of-hand. It should not just be a question of shifting one category of assets out of whichever broad measure of money the Government happens to be watching at the time into some marginally less liquid form which happens not to count.

The principal technical problem may be to design an instrument that does not appeal to the banks, since debt needs to be sold to the non-bank private sector. The experience of the variable rate gilt-edged stock, introduced as an instrument the Government Broker would be able to sell when the markets expected interest rates to rise, is of some relevance here: the issues found their way almost entirely into banking hands.

For this reason, the one- or two-year Treasury bill, which has been discussed as a possible debt instrument, seems an imperfect answer. The short Treasury bill is a natural liquid asset for banks to hold, even if they are not required to by controls such as the reserve asset system. Another, more ambitious, possibility, a limited issue of index-linked stock, still faces considerable opposition.

Lonrho/Fraser

Bizarre though they may seem, the latest events in the Lonrho/House of Fraser saga form part of a consistent pattern. Short of the resources to make a full take-over bid for the Fraser group, Mr. Tiny Rowland has instead applied pressure to a board which is only a loosely-knit combination of old and new factions, in the hope that somebody would crack.

Last week the votes at the extraordinary general meeting proved for the second time that Lonrho has little credibility among other Fraser shareholders. But its divide and rule tactics have now achieved notable success.

For some time Mr. Rowland has been hinting that Sir Hugh Fraser's position as executive chairman of the stores group was in danger. And indeed the outside directors recruited by Warburg, Prof. Roland Smith and Mr. Ernest Sharp, do seem to have taken over much of Sir Hugh's role.

In the circumstances, it has been possible for Mr. Rowland to persuade Sir Hugh that he will be safer in the Lonrho camp than by staying on the majority side.

Anxious institutional shareholders now face the stark possibility that Lonrho will win its fight for "creeping control" of House of Fraser. The institutions can rarely organise themselves to stand up against a determined entrepreneur. If Lonrho can now exert control over the Fraser Board and get rid of Warburg, the way could be opened for a cheap method of gaining formal voting control of Fraser—through an exchange of assets for shares, perhaps.

True, other shareholders have a comfortable majority of the Fraser votes—but they may need to be effectively organised if they are to stop Lonrho now.

SDRs

Sweden's decision to incorporate a tranche demoninated in Special Drawing Rights into its latest Eurocredit brings a new dimension to the commercial market for the International Monetary Fund's currency unit.

This market has been growing principally in the form of straight bank deposits which are now estimated to total some $3bn equivalent. But one problem for the banks in accepting such deposits has been finding a way of lending them out without breaking them down again into the component currencies.

Sweden's credit will give them a welcome opportunity to match liabilities in SDRs with assets denominated in the same unit.

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